

Wisley airfield to remain closed, Government rules

By John Young, Planning Reporter

The Government yesterday rejected a scheme to reopen the closed Wisley airfield, Surrey, for general aviation.

Its decision coincided with publication of a report by the Parliamentary Commissioner for Administration (the Ombudsman) which found that there had been no maladministration in the Government's decision to sell the land back to its former owner's heir, Lord Lytton, under the so-called Crichton Down rules.

But the Ombudsman, Mr Cecil Clothier, QC, criticised the fact that the land was sold with the old runway in situ despite repeated assurances to the local authorities, amounting to a moral commitment, that the runway would be taken up before the site was sold.

Public inquiry into an appeal by Farnate Ltd into the refusal by Guildford Borough Council to give permission for the airfield to be reopened lasted from January 20 to March 6 this year. The airfield, which was the subject of a long-running dispute between the local authorities and the Ombudsman, was used for general aviation and was a source of noise and traffic in the area.

But he felt that the decision to retain the runway, inconsistent as it was with what had gone before, was administratively inept. Correspondence about the Government's plans for its removal amounted, in his opinion, to a moral commitment.

Mr Shane Reese, the inspector, accepted that the site had local advantages, and that there were fewer more suitable facilities for business aviation.

But to grant the appeal there would have to be a clearly established national or sub-national need for the airfield, and all other alternative sites, with less formidable planning barriers, had to be found.

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"At least he comes back for servicing."

Fabians relegate SDP members

By David Nicholson-Lord

The Fabian Society voted yesterday to deny full membership and voting rights to social democrats. Dispossessed members reacted angrily and there were forecasts of substantial defections from the society.

The decision to relegate the social democrats, who include Mrs Shirley Williams, the former chairman, from full to associate membership was taken in a ballot, by 1,344 members to 1,343, a majority of 201.

The poll, on a recommendation from the society's executive, was the biggest in its history, an indication of interest in the issue. The executive was clearly taken aback by the size of the vote against it.

Several leading social democrats were on the executive until they formed the new party in March, when they resigned. Apart from Mrs Williams, they include Mr John Roper, MP for Farnworth and the society's former treasurer, and Mr John Carrivick, MP for Greenwich, Woolwich East.

Mr Cartwright, a former representative of the Socialist societies on Labour's national executive, yesterday described the evidence of the vote as the "worst possible outcome".

He added: "I am totally unwilling to accept a second-class status in the society and if that is the final word on the issue I would not want to stay a member. I think they would be the view of a substantial number of social democrats."

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Attack on college deplored

By Diana Geddes Education Correspondent

A packed meeting of almost 300 academics at Chelsea College, London, yesterday called on the Swinerton-Dyer committee on the academic organization of London University to withdraw its "malicious attack on the academic standards and professional competence of Chelsea College staff, students and graduates".

In its report sent to heads of colleges earlier this month, the committee, chaired by Sir Peter Swinerton-Dyer, vice-chancellor of Cambridge University, said that while Chelsea was highly regarded in some areas, such as science education, nursing, and the history and philosophy of science, the committee was "not confident that the same can be said for the rest of Chelsea".

It recommended that there should be a peer review of all departments, save the three mentioned "with a view to phasing out those which do not come up to the standard of the rest of the university." If the surviving departments were insufficient to constitute an independent college, they might have to be incorporated into other colleges, it said.

In a letter sent yesterday to Lord Annan, Vice-Chancellor of London University, the Chelsea College branch of the Association of University Teachers said it was "deeply disappointed" that the committee's comments arose from a desire to force the closure issue.

Any objective evidence to support the implications that academic standards at Chelsea were lower than in the rest of the university, should be produced forthwith.

They hope, however, to be allocated time tomorrow to give their views from the platform.

After a private meeting of 20 Labour representatives to assist the union's campaign to save the college, Mr George Wilson, aged 36, a Greater Manchester councillor, said the conference was "so one-sided that it is farcical".

Mr Peter Kelly, chairman of the Greater Manchester Police Committee, said: "If there is a joint conference again the AMU will ensure it is substantially different from this. It will enable us to put our views."

Mr Kelly emphasized that we are seeking more accountability by chief constables over areas of police work other than operational duties.

Tronically, it was Sir P. Knight, Chief Constable of the West Midlands, who raised the political issue from the platform.

Many chief constables would have to give considerable thought to their response to matters such as greater accountability, he said.

They would be happy to be accountable for decisions taken by their senior officers and to be held to account for those decisions, he said.

But if that is to be their position then it must follow that appointments remain firmly in the hands of chief constables.

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Mr Beaton, aged 46, of King's Heath, Birmingham, and three other men were charged at the Central Criminal Court of taking part in a confidence trick involving a proposed British tour by Ray Charles, the jazz singer.

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Farmers may tip scales in Irish poll

From Christopher Thomas Dublin

Ireland's 125,000 farm owners, most of whom make a meagre living from fewer than 50 acres, could have a decisive impact on the general election tomorrow.

There are enough of them to tip the scales in many rural constituencies, notably Mayo, Kildare and Offaly. The big farmers, those with more than 50 acres, changed traditional political allegiances in 1977 and made an important contribution to the downfall of the Fine Gael-Labour Party coalition.

They moved over to Fianna Fail over the impassioned issue of taxation of farmers' incomes from the coalition. The question now is whether they have forgiven Fine Gael.

The allegiance of the farmers is one of two big imponderables in the election, the other is the young vote. Half the people of the Irish Republic are under 25, and they are not following the voting patterns set by their parents.

Many of the older generation still vote in line with the side their family took in the civil war. The party of the party of partition, Fianna Fail of unity.

The farmers' big concern is incomes, which are 55 per cent lower than three years ago. The boom years of the early and mid 1970s have given way to hard times. Most farms are generating enough money to employ one farmhand, and the sons of farmers are looking elsewhere for work.

Fianna Fail has done its utmost to cushion the farmers, injecting £12m into agriculture in a single year, with EEC support.

That seems likely to push up incomes by a quarter, which may be enough for the party to hold on to the vitally important farming vote.

Ballet group cancels Belfast visit

An English ballet company has cancelled a week's engagement in Belfast because dancers were afraid of the violence which greys after the deaths of the IRA hunger-strikers (Richard Ford writes from Belfast).

About 18 of the 25 members of Northern Ballet Theatre refused to perform in Northern Ireland despite an appeal by Mr Michael Barnes, general administrator of the Grand Opera House, Belfast.

He went to the company's base in Manchester two weeks ago in an attempt to persuade them and postponed announcing their withdrawal until yesterday in the hope that the young dancers would change their minds.

They were due to perform *The Nutcracker* from next Monday, but instead they will be dancing *Coppelia* in Exeter, Derbyshire.

Mr Barnes said: "I am very disappointed, not only for us, but for the dancers. They had doubts two weeks ago. I spoke to many of them to try to persuade them to continue with their trip. I think it was the younger dancers with the company who were most worried."

While the dramatic variation of helium and argon observed at Byakko Spa is probably accounted for by the underlying fault system, which allows gas seepage from rocks to reach the surface within four hours or so, Mr Sugisaki's report will almost certainly stimulate a search for other such locations.

The link between these observations and earthquake prediction is based on the widely accepted view that earthquakes are preceded by an increase of the stress in the rock systems, which are eventually ruptured. In big earthquakes the stresses which accumulate before rupture are much greater than those caused by tidal forces, so in suitable locations the ratio of helium to argon in gas generated by a crustal crack should be an indicator of an impending earthquake.

Source: Science, June 12 (vol 212, page 1264).

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Science report Gas change may be earthquake herald

By the Staff of Nature

Observations of how the proportions of helium and argon in gas bubbles escaping from the Earth vary with the tidal forces of the Moon may point a way to earthquake forecasting. That is the claim put forward by Mr. Ryuchi Sugisaki, a geochemist at Nagoya University in Japan, on the basis of measurements of gas bubbles escaping from the bottom of a mineral spring at Byakko Spa, 25 miles from Nagoya.

Helium and argon are formed within surface rocks by radioactive decay; helium from materials related to uranium, and argon from the rare isotope of potassium known as potassium-41. At Byakko Spa the gas containing helium and argon is released in a pond of 100 square metres at a rate of about 400 kg a minute. The location of the pond on an active seismic fault is thought to account for the rapid evolution of the gas.

Mr Sugisaki collected gas from the pond with an inverted funnel placed on the bottom. The notion of measuring variations of helium and argon in the gas stemmed from the supposition that the release of both might be increased when the rocks were under stress, whether caused by events likely to precede an earthquake or by some other means.

The measurements show that there is a marked rhythmic variation in the ratio of helium and argon in the gas released in which helium is 10 times more abundant than argon or relatively 200,000 times more abundant compared with argon than in the atmosphere.

The variation of the ratio of helium and argon in the gas is surprising because the ratio of helium to argon in the atmosphere is a minimum of 12 to a maximum of 14, and the intervals between cycles are greater than 24 hours, corresponding to the period of the apparent revolution of the Moon about the Earth.

Mr Sugisaki's conclusion that the bodily rides within the Earth must be responsible is further supported by calculations of how the tidal stresses within the surface rocks should vary, which are themselves confirmed by measurements of the actual strain gauges of the actual evolution of the surface rocks at a seismic station near by.

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Dowry side boy in loy prank

Two sixth-formers from the Roman Catholic school, were fined yesterday for driving a cement-mixer lorry after a visit to a public house.

The boys, all aged 18, are pupils at the school which is attached to the Benedictine monastery at Stratton-on-Avon, Wiltshire.

James St John Harris was fined £75 for taking the vehicle without the owner's consent; Clemente Palazzi, a Spaniard, was fined £75 for the same offence, and was also fined £10 for driving without a licence; and £10 for being without insurance; Julian Raymond Browne was fined £50 for allowing himself to be carried on the lorry knowing that it had been taken without consent.

Magistrates at Shepton Mallet were told the boys had been to the Horse and Jockey at the village of Binegar and had decided to walk back to the school some miles away after closing time.

They saw the lorry parked at a quarry with the keys in it and drove it about the yard and on to the road.

Mr Palazzi said they were slightly drunk, but they had no intention of taking away the lorry.

Father Edward Cruzet, a housemaster at the school, said that taking the lorry had been "a high-spirited act of irresponsibility, but no malice was intended".

TIN MINER KILLED

A man was killed at a Cornish tin mine yesterday after a rock several feet wide fell on him while he was working, 2,000ft down in the South Crofty mine near Camborne.

Closed shop girl not to press case

From Clifford Webb Birmingham

Miss Joanna Harris, aged 21, the poultry inspector at the centre of a closed shop dispute, said yesterday that she still hopes to get her job back with Sandwell council in the West Midlands.

But she had decided not to take her case, alleging unfair dismissal, to an industrial tribunal because "it is a long drawn out process and there is no guarantee that I shall get my job back when it is all over".

The three-month deadline for an appeal expires on Friday.

She said she hoped that the council would change its mind after the decision by the local branch of the National and Local Government Officers Association to press for the closed shop agreement with Sandwell council to be dropped.

In the meantime she has been a part-time job selling cosmetics from door to door.

Backbench Tory MPs are pressing Mr James Prior, Secretary of State for Employment, to introduce legislation to end all "union only" clauses in contracts. They also want the 1980 Employment Protection Act to be extended to enable employees to vote by ballot.

Sandwell council has decided that its closed shop agreement will continue for the time being despite the change of heart by its Nalco members because its withdrawal requires the consent of three other unions and they will not give it.

Miss Harris, future and the closed shop issue is expected to receive a full airing at Nalco's annual conference in Blackpool this week.

Left forces tighter rein on union-backed MPs

From Paul Routledge, Labour Editor, Brighton

Left-wing reformists within the Labour Party carried their political campaign one stage further yesterday by successfully insisting on a periodic review of MPs sponsored by Britain's third largest union.

Delegates to the policy conference of the General and Municipal Workers Union, voted in private session to deplore the activities of some members of its official and unofficial parliamentary panels.

Two former Labour MPs sponsored by the union have joined the social democrats.

The successful motion argued that by publicly campaigning against the Labour Party, they had damaged the interests of union members and their families.

Contrary to the wishes of the GMMU leadership, delegates voted to instruct the union's executive to take steps to remove "the splitters" from its parliamentary panels, and to institute a procedure for periodically reviewing the union's parliamentary sponsorship.

Such a procedure will involve consulting all the regions of the union before final decisions are taken on whether to accept existing MPs as "proper representatives of the GMMU in Parliament."

"Yesterday's move" comes after the expulsion from the panel of Mr William Rodgers, now a leading member of the Social Democratic Party. His removal has been communicated to the local Labour Party in Stockton-on-Tees. From the "unofficial" panel, the name of Mr Neville Sandelson, another defector to the social democrats, has also been removed.

The union sponsors 13 sitting MPs on its official panel, most of whom are moderates.

NALGO PUTS BLAME ON CABINET

By David Felton Labour Reporter

The Government was accused yesterday by the leader of the country's fourth largest union of aggravating Britain's economic crisis, making the effects of the recession worse than in any of the other main industrial nations.

Mr Peter Morgan, president of the National and Local Government Officers Association, told the annual conference in Blackpool: "No one lays all the blame at the Government's door. What we do say is that they have fanned a smouldering fire into a furnace, engulfing us all."

He said there appeared to be no sign of relief from the worst economic crisis since the early thirties. "I have never known such endemic social strain, much of it born in the Cabinet room in Downing Street."

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Rock stars may join TUC jobs festival

Labour Reporter
By Donald MacIntyre

The TUC is to consider inviting rock musicians and professional footballers to take part in a national youth festival in the autumn to provide a climax for its protest campaign on unemployment.

Senior union leaders will discuss the proposal today as part of their plans to keep up the momentum after what Congress House sees as the undoubted success of the People's March for Jobs last month.

At the same time the TUC is to launch a series of initiatives calling for crash programmes of public investment, including large-scale construction projects intended to create 440,000 jobs over the next five years.

A paper going before today's meeting of the TUC economic committee suggests that a big event for young people should be treated as a priority in the next phase of the campaign against government economic policies.

Other suggestions made by the TUC's regional representatives are for a re-enactment of the 1936 Jarrow march, a TUC-backed demonstration at the Conservative Party conference or a national one-hour stoppage.

The confidential paper, however, says that it was clear from last week's meeting of regional council representatives that an autumn youth rally or festival was the suggestion that commanded widest support.

It is a suggestion that has been rejected by union leaders. In contrast to its original scepticism about the People's March for Jobs, the Congress House secretariat will advise union leaders today of the need to build on the support commanded by both the march and the TUC's week of action.

Regional representatives agreed at their meeting last week that both events had been tremendously successful in exposing the inadequacies of government policies and highlighting the TUC's alternative.

Union leaders have also been told that the TUC intends, during the summer to issue a series of calls for large-scale investment in capital programmes.

The aim of a detailed call for investment in the construction industry in particular would be "not only to stimulate this sector of the economy but to improve the whole quality of life of the nation by providing desperately needed homes, hospitals and services while at the same time modernising industry."

Proposals for capital investment programmes to form part of early legislation after the return of a Labour government have already been discussed by the TUC-Labour Party liaison committee. Some union leaders, notably Mr Clive Jenkins, general secretary of the Association of Scientific, Technical and Managerial Staffs, have been pressing for the establishment of short-life "sunset corporations" that could undertake big capital projects.

BUILDING TRADE FACES STRIKES

Three of the four unions which represent 700,000 building workers decided yesterday to start a campaign of industrial action in support of a pay claim.

A 6.2 per cent pay offer by the building and civil engineering joint board was rejected by the Transport, Union, General and Municipal Workers and the Furniture, Timber and Allied Trades Union. But it was accepted by the industry's biggest union, UCATT, which represents 300,000 workers.

Officials of the three dissenting unions will meet in London on June 18 to decide strike targets.

Equal pay laws still unfair to women, commission says

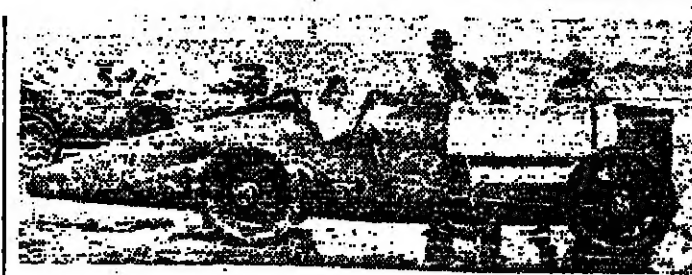
By Lucy Hodges

The Equal Opportunities Commission yesterday, on its fifth birthday, renewed its call to the Government to amend the law affecting women at work in order to improve their pay.

It said that women would continue to earn about 73 per cent of men's pay unless there were substantial changes to the Sex Discrimination and Equal Pay Acts. "Unless the Acts are strengthened there is a real possibility of growing disenchantment with the relevance of legislation as such in eliminating sex discrimination and promoting equality of opportunity," the commission said in its annual report.

The commission is not alone in its criticism of the Government. The EEC is to take the United Kingdom to court over the Equal Pay Act because it does not go far enough towards meeting European law.

In order to claim the same pay as a man, a woman has to



The old and the new: Left, Captain Malcolm Campbell in his record-breaking Sunbeam in 1924; centre, Donald Campbell in Bluebird in 1964; and, right, the solid-wheeled Thrust 2.

Briton to attempt world speed record in jet car tested to 700 mph

By Peter Waymark, Motoring Correspondent

The first British attempt for 17 years on the world land speed record will be made in October by Mr Richard Noble, aged 36, in his jet-powered car, Thrust 2.

He will be trying to beat the time of 622.407 mph set by Gary Gabelich, the American driver, in Blue Flame, in 1970, and he has chosen the same site, Bonneville salt flats, Utah, in the United States.

Mr Noble, an overseas manager with GKN, the engineering group, already holds

the British land speed record of 248.87 mph, established last September at the Royal Air Force base, Greenham Common, Berkshire.

Since then wind tunnel tests have indicated that the car is capable of up to 700 mph, which puts the world record well within reach. Mr Noble, who has been given leave of absence by his company, said yesterday: "I am very confident."

The world record attempt has to be made

broad because there are no runways available in Britain for speeds greater than about 280 mph. The Bonneville track will be up to 13 miles long and 200 feet wide.

Thrust 2 is powered by a Rolls Royce aero engine with 70 times the horsepower of a Formula One racing car and capable of accelerating to 300 mph from rest in 12 seconds. It has a tubular steel body, solid aluminium wheels and uses two parachutes to help it stop.

More than 150 British companies are supporting the project, which started in 1974. Thrust 2 was built at Fishborne, on the Isle of Wight, the home town of its designer, Mr John Acroft. Mr Noble estimates the value of the vehicle at £700,000.

The world record was last held for Britain by the late Donald Campbell, who reached 403 mph in Bluebird in August, 1964.

IN BRIEF

Heseltine's grants threat denounced

Mr Michael Heseltine, Secretary of State for the Environment, has been accused yesterday of blatant intimidation and of possibly acting illegally by threatening not to pay grants to local authorities which did not submit revised budgets showing reduced spending.

Mr Jack Smart, chairman of the Association of Metropolitan Authorities, said: "All decent local government people should unite to prevent his threatened complete destruction of local government and its services."

High ball hazard

Mr Laurence Wright, who operates aircraft at Great Yarmouth, Norfolk, has threatened to prevent players using the town council's new pitch and putt golf course adjoining the airfield because of the danger of high flying balls.

Man battered dog

Alexander Falconer, aged 41, of Hamilton, Lanarkshire, found guilty of beating an albatross dog to death with a spade in a neighbour's back garden, was fined £100 at Hamilton Sheriff Court yesterday. He was also banned from holding or obtaining a dog licence for a year.

Bejerman better

Sir John Bejerman, aged 75, the York Laureate, left hospital in Sheffield yesterday after a two-month illness. Sir John, of Radnor Walk, Chelsea, London, suffered a stroke while visiting the Derbyshire Peak District eight weeks ago.

Kipling garden saved

A plan to build houses in the walled garden of a house where Rudyard Kipling wrote *Kim* and *The Just-So Stories* was rejected yesterday after Brighton council's planning committee was told of opposition from residents of Rottingdean.

Teacher's body found

The body of Mr David Palmer, aged 48, of Wath upon Dearne, South Yorkshire, a teacher missing for five weeks, has been found at the foot of a 300ft cliff near Haverfordwest, Dyfed.

M1 police for trial

Eleven M1 patrol police officers from Hertfordshire were yesterday sent for trial by magistrates at Hertford on charges of conspiring to breach the Prevention of Corruption Act.

Castle for sale

Amberley Castle, the fourteenth-century home of Lady Emmet, the former MP for East Grinstead who died last year, is being offered for sale for about £1m.

Water board too large, report says

By John Young, Planning Reporter

Membership of the Severn-Trent Water Authority should be substantially reduced and should no longer be based predominantly on local government representation, a report by the Monopolies and Mergers Commission published yesterday, states.

The commission notes that there is considerable feeling that the authority is remote and that as a result customers' interests are not adequately represented.

It was envisaged when regional water authorities were set up, that the appointment of members by local authorities would provide a channel of local accountability, but clearly

the system is not giving satisfaction, it says.

It has led, in the case of Severn-Trent, to an authority of 48 members, which is so large as to affect its efficiency adversely, without providing commensurate benefits in terms of consumer representation. There are therefore grounds for altering the structure of the authority fundamentally.

The commission also expresses concern about the control of costs and about weaknesses in the supervision of the authority's divisions. "Budgets have tended to be slack," it says. "Where cuts have been made, they have generally been arbitrary and across the board."

During the first six years of the authority's existence, the number of manual employees declined by 23 per cent, while non-manual staff increased by 16.5 per cent, it points out.

The low priority given to cost-saving investment is also causing concern. Given a capital expenditure programme of about £90m a year, the authority has not yet developed a comprehensive strategic planning process that demonstrates that the overall level of investment is justified.

The commission found that in most cases allegations of extravagance were without foundation. But it was concerned about the high level of car allowances.

55,000 more emigrated than entered in 1980

By Peter Evans, Home Affairs Correspondent

Many more people are emigrating from the United Kingdom, and fewer are immigrating, than came in 1980, but the year before 6,000 more people came than went.

The reason for the change was a jump in the number of emigrants from 189,000 to 229,000 and a fall in immigrant numbers from 195,000 to 174,000.

The figures were issued yesterday by the Office of Population Censuses and Surveys, which said the net loss of 55,000 was the greatest since 1974. There were fewer immigrants

from Commonwealth countries, South Africa and Pakistan.

Most countries received more emigrants from the United Kingdom, in particular Australia, South Africa and the EEC.

Much of the increased emigration resulted from a sharp rise in the outflow of United Kingdom citizens. The inflow of United Kingdom citizens fell by more than that of other immigrants, and was the lowest level recorded.

In 1980 there were more than twice as many United Kingdom citizens leaving the country as entering it.

Redundant churches need golden handshake

By Our Religious Affairs Correspondent

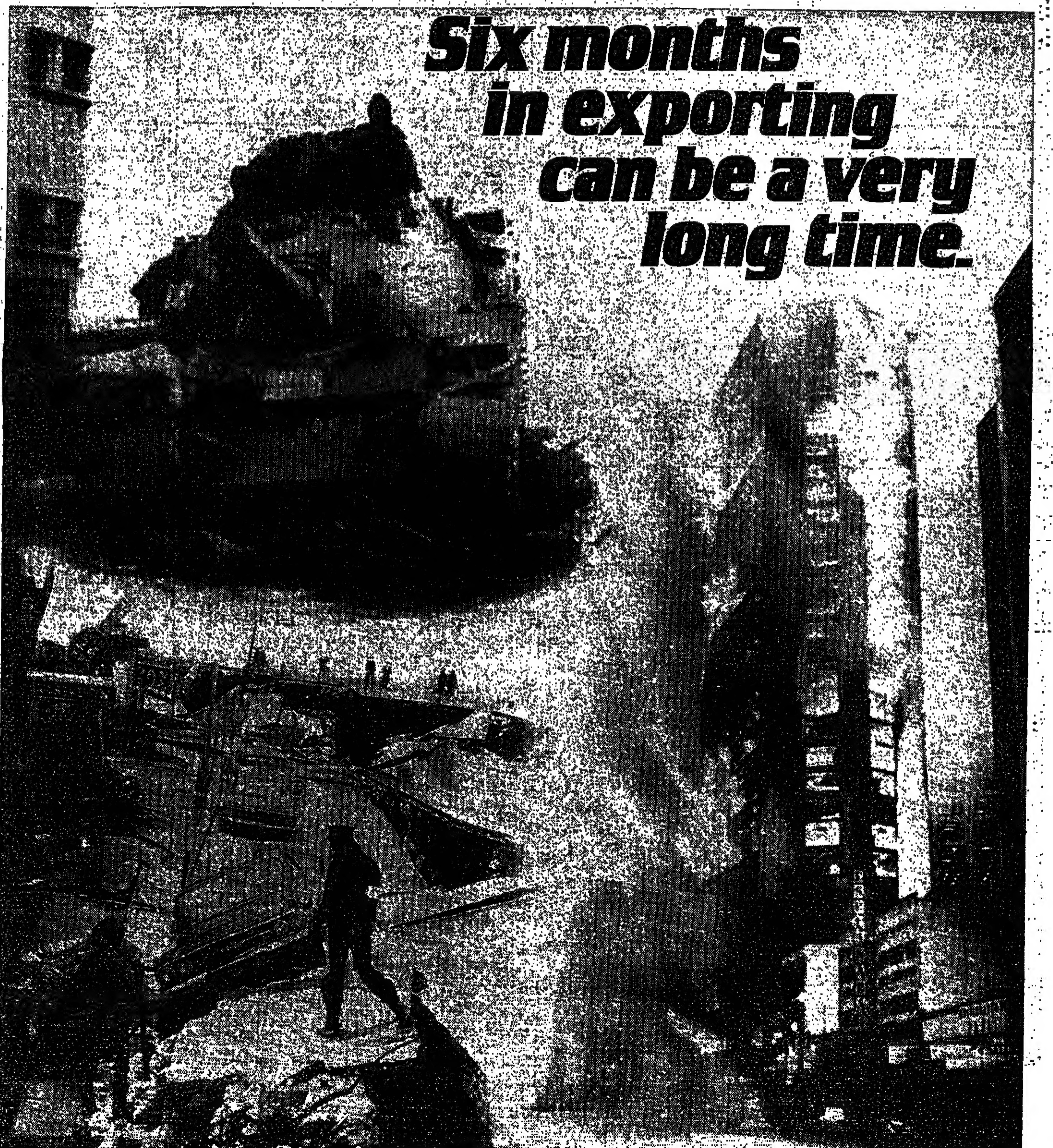
The acquisition of foreign works of art ought not to take priority over preserving historic buildings, the Advisory Board for Redundant Churches states in its annual report, published yesterday.

The report says the stock of architecturally valuable church buildings is threatened because of the pressure on the Redundant Churches Fund and advocates temporary conservation measures to prevent unused buildings falling into decay while decisions are made about their future.

Church buildings are sometimes unnecessarily declared redundant through neglect. "Many a building falls rapidly into decay owing to neglect of gutters and downpipes, failure to replace slipped tiles or slates, and failure to clear undergrowth from the base of walls," the report says.

In the year under review the board has recommended 22 churches for preservation, 34 as suitable for alternative uses, and ten for demolition. The fund, so far, has been able to take over the care of all those churches which the Church Commissioners, on the board's advice, have chosen to preserve. But there is a risk that the commissioners may start to disregard the board's advice because of lack of money.

The board therefore makes a plea for additional resources, arguing that an item of art not bought for the nation would at least survive elsewhere, whereas a neglected building would be lost for ever.



**Six months
in exporting
can be a very
long time.**

Damages for headmistress

Mrs Beryl Baker, a primary school headmistress, is to receive damages over an allegation in *The Sunday People* that a boy was "debaggged" after arriving at school in long trousers instead of shorts.

The newspaper had quoted a parent as saying that Mr Baker's dictatorial enforcement of petty rules was intolerable. But Mr Justice Comyn was told in the High Court yesterday that there was no basis for the criticisms of Mrs Baker and her school, the John Falker country primary at Sawston, Cambridge-shire.

Mrs Baker, of Helions Bump-

stead, Essex, accepted undisclosed damages, with a public apology in settlement of her libel action against Mirror Group Newspapers.

Mr Richard Rampton, for Mrs Baker, said boys were required to change into shorts on arrival at school because of classroom overheating caused by a faulty heating system.

The boy, Ben Bowyer, aged four, was not "debaggged" as he was given a spare pair of shorts which he changed into. The newspaper said the criticisms of Mrs Baker were wholly unwarranted.

Suddenly, the world seems to have entered an age of accelerated history.

In the time it takes for an exporter to get paid for his goods, a country's entire economy can collapse. The world map may change violently. Overseas customers in the stablest of countries might well survive the recession, only to fall victim to crippling strikes, unpaid debts or a major fire.

Even the natural disasters now seem to come in twos and threes.

And yet, many British companies are still doing very well in overseas markets. But not without a degree of caution.

In the last year alone, ECGD paid out over £290 million to British business for losses sustained

overseas, often in 'safe' countries. The causes were anything from the default or insolvency of individual buyers to political upheavals or national bankruptcy.

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These days, a lot can happen in just a short space of time.

ECGD
EXPORT WITH CONFIDENCE.

The Peterborough Development Corporation Bill and the Preston Borough Council Bill were read a

Writers demand a better deal from publishers

By Kenneth Gosling, Arts Reporter

Britain's writers, angered by what they see as growing chaos in the publishing industry, launched a campaign yesterday through their two main representative bodies, the Writers' Guild and the Society of Authors, to secure a minimum terms agreement. It is one of the most significant moves in recent years to improve their conditions.

The guild and the society, which held a press conference to discuss the 26-clause document, are seeking joint talks with the Publishers' Association, which meets tomorrow, to agree to represent their members in negotiating new terms.

If it decides not to do so, the two writers' groups will begin immediate approaches to individual companies. The terms of the agreement are negotiable and the two groups said they would, very much to regret, action against isolated houses that rejected discussions out of hand.

They refused to say what sanctions may be taken, but they took 10 months of industrial action against W. H. Allen and Star Books, and agreements were signed last month by both publishers.

The aim of the agreement, they said, was not to make unreasonable demands on publishers but to secure fair basic terms for writers. They are minimum terms and do not prevent authors or agents from negotiating better terms.

Mr. H. R. F. Keating, one of the authors at yesterday's conference, said: "This is something publishers ought to feel able to accept. We are not making tremendous demands, but asking for what the good publishers have been doing already."

Miss Eva Fikes, the writer, commented: "The author is a very vulnerable cottage worker; some are able to call the tune, but the majority of writers are not in that situation. Publishers are used to picking them off."



Miss Eva Fikes: "Authors are very vulnerable."

£295,000 CRASH CLAIM SETTLED

Mr Justice Cawley ruled in the High Court yesterday that Mr Roderick Henderson, a rowing champion, must bear most of the blame for a car crash in which Mr Gerry McMillan, his friend and former teammate, was paralysed.

He said Mr Henderson, of Waterloo Road, Bedford, was liable for 85 per cent of the agreed damages of £295,000. Mr Henderson was driving his car when it collided with a lorry.

JUMBO WING HITS AIRPORT PIER

A jumbo jet hit a pier at Cardiff Airport yesterday as it taxied after landing. Five or six windows in the building were smashed and the aircraft, which had arrived from Toronto, was taken out of service.

Mr Eddie Moloney, the airport's director, said the aircraft was being taxied into position when the pier wing tip hit the pier. No one was hurt. Engineers from CP Air were called in to make repairs.

Split vote in Bishop of London's election

By Clifford Longley, Religious Affairs Correspondent

Dr Graham Leonard has been elected by the Dean and Chapter of St Paul's Cathedral to be the next Bishop of London. The Dean, the Very Rev Alan Webster, said yesterday that the election took place on June 3 and was by a majority.

No announcement to the press had been issued concerning the election, but a formal statement had been on public display by the main door at St Paul's, he said. The election was announced by the Church Information Office yesterday, when notice was given that the formal confirmation ceremony is to take place on July 20.

That is the occasion on which Dr Leonard becomes Bishop of London, although his enthronement will not be until September 21.

The delay in the announcement of the election and the sparsity of information, no figures were given about the size of the majority, or whether the minority abstained or voted against, is an obvious sign that the Diocese of London has closed ranks in loyalty to Dr Leonard after the vigorous controversy that surrounded his selection.

Election by the dean and chapter is by custom unanimous, and there is never more than one candidate put forward by the Queen. There is some division of opinion in the Church about whether it is right, or discourteous to the Queen, for a chapter member to press his opposition to a candidate to the point of not voting for him.

Though there have been less than unanimous chapter elections before, including that of Dr Leonard's immediate predecessor, Dr Gerald Ellison, such dissent has usually been described as a protest against the selection procedure rather than against the individual concerned. Since Dr Ellison's appointment the procedure has been reformed with the introduction of the Crown Appointments Commission.

The controversy arose because Dr Leonard was not the commission's first choice and because when that became known a lobby was organized to persuade the Prime Minister to nominate him.

He was, by all accounts, the candidate most favoured in the diocese itself. Dr Leonard, at present Bishop of Truro, was not present for the election but he has to attend the confirmation ceremony, in which the legal officers of the church satisfy themselves that the legalities have been observed.



At the eye of the storm: Life inside Borocourt and St Lawrence's as seen in the television documentary.

Late changes in ATV mental hospitals film

By Nicholas Timmins and Kenneth Gosling

ATV made last-minute changes yesterday to the documentary to its controversial programme *Silent Minority*, due to be shown tonight, after protests from health authorities that run two of the three mental hospitals featured.

Mr George Young, Under-Secretary of State for Health, criticized the film as giving "a wholly unrepresentative picture of life in our mental handicap hospitals".

Berkshire Area Health Authority accused Mr Nigel Evans, the programme's director, of deliberate deceit in retaining reels of film when he knew patients' relatives had not given consent to them being shown.

It said a statement in the film that patients at the 479-bed Borocourt Hospital, near Hareley-on-Thames, Oxfordshire, had developed gangrene because infections were not treated "is simply not true". ATV said

last night that the allegations had been removed.

The health authority said it could find no words strong enough to condemn the behaviour of Mr Evans. His conduct was deliberately deceitful and showed a callous disregard for the feelings and the rights of patients and their relatives.

Mr Charles Denton, ATV's director of programmes, said last night there was no doubt the Borocourt hospital authorities were deceived by Mr Evans when he withheld certain film material from them. Before commissioning the film, ATV's head of documentaries had accepted this position.

Mr Denton said he was convinced the screening of the programme was in the public interest. Croydon Area Health Authority, which runs the 1,350-bed St Lawrence's Hospital at Caterham, said the film gave

"a totally wrong impression" that no training was given to residents to improve the quality of their lives.

In the case of Nicky, the epileptic pictured tied to a pillar, the authority conceded that such episodes had occurred, but said the film did not acknowledge that his condition had since improved.

Mr Alan Parrish, the divisional nursing officer at St Lawrence's said it was "absolutely nonsense" that the boy had been restrained for four to five hours at a time. Normally such restraint would be for only 10 or 15 minutes.

Dr Geoffrey Harris, senior consultant at the hospital, said other patients were restrained from time to time but that was dictated by staff shortages. It was done to prevent severely disturbed patients harming themselves and others. One child at the hospital who had

not been restrained was blind in one eye as a result.

Neither health authority yesterday made any pretence that they were content with the service they provided. While critical of the techniques used and some of the allegations made, both supported the programme's aim of improving care to the mentally handicapped.

Croydon authority said St Lawrence's needed between 200 and 300 extra nurses. An extra £11m a year was needed in addition to the £9m already spent.

The Berkshire authority said that although it has as many staff at Borocourt as funds allowed that provided only 299 nurses for 468 patients and only 100 nurses were qualified. ATV said it would be acknowledging that patients in the children's ward at St Lawrence's received some schooling.

Parliamentary report, page 4

Detectives cleared of stealing raid cash

The second prosecution brought as a result of the Operation Countryman investigation into alleged police corruption in London failed at the Central Criminal Court yesterday.

Two detectives from Tower Bridge police station, Det Sergeant Brian O'Leary, aged 38, and Det Constable Roy Leavers, aged 31, were cleared of stealing £18,000, part of the proceeds of a robbery. They were also acquitted of conspiring to pervert the course of justice.

Last month at the Central Criminal Court a detective inspector was cleared of trying to pervert justice by allegedly framing a known criminal for a large-scale robbery.

Mr Kenneth Richardson, for the prosecution, had alleged that Sergeant O'Leary, of Hawes Lane, West Wickham, Kent, and Constable Leavers, of Magnolia Drive, Biggin Hill, Kent, turned to corruption while investigating a £500,000 robbery by armed men at Williams and Glyn's Bank in the City in September, 1977.

Leonard Roberts, a criminal, was looking after £30,000 of the stolen money. He claimed that the two detectives, having found the money hidden in a vacuum cleaner, stole £18,000 of it and told him they would charge him only with receiving the balance of £12,000.

The jury was told to examine Mr Roberts' evidence "with very great care". The detectives, who consistently denied the allegations against them, had been under suspension for two and a half years.

RAILMEN INJURED

Three railmen were in hospital last night with serious injuries after being struck by a freight train near Nuneaton, Trent Valley station, Warwickshire.

Church of England's 'spiritual audit'

By Our Religious Affairs Correspondent

Representatives of 17 churches will begin a thorough examination next week of the Church of England's performance, with a brief to point out any uncomfortable truths that they may encounter during their inquiries.

The exercise, a kind of spiritual "audit" of the Church of England, is part of the Partners in Mission project for the Anglican Communion, which is based on the principle that each part of the communion must contribute to the health of the rest. It will be the first time the

"mother church" of the Anglican Communion has submitted itself to the judgment of its daughter churches overseas.

At the Church of England's invitation, representatives of the Church of Scotland and of the Roman Catholic Church in England and in Belgium will also join the team, together with a member of a British "Black" church, and an English Baptist.

The churches of the Anglican Communion contributing to the exercise are from Australia, Brazil, Canada, Japan, Kenya, Nigeria, South Africa, the West

Indies and the United States. The team will be welcomed to England next Wednesday by the Archbishop of Canterbury and York, and will then be briefed on the state of English society, on the state of Christianity in England, on the "particular ethos" of the Church of England itself, and on its structures and government.

The scope of the inquiry includes the General Synod, the Church Commissioners, as well as the important voluntary bodies.

Bishop and divorcee marry

From Our Correspondent, Matlock

The Bishop Suffragan of Repton, the Right Rev Stephen Verney, has married a divorced woman.

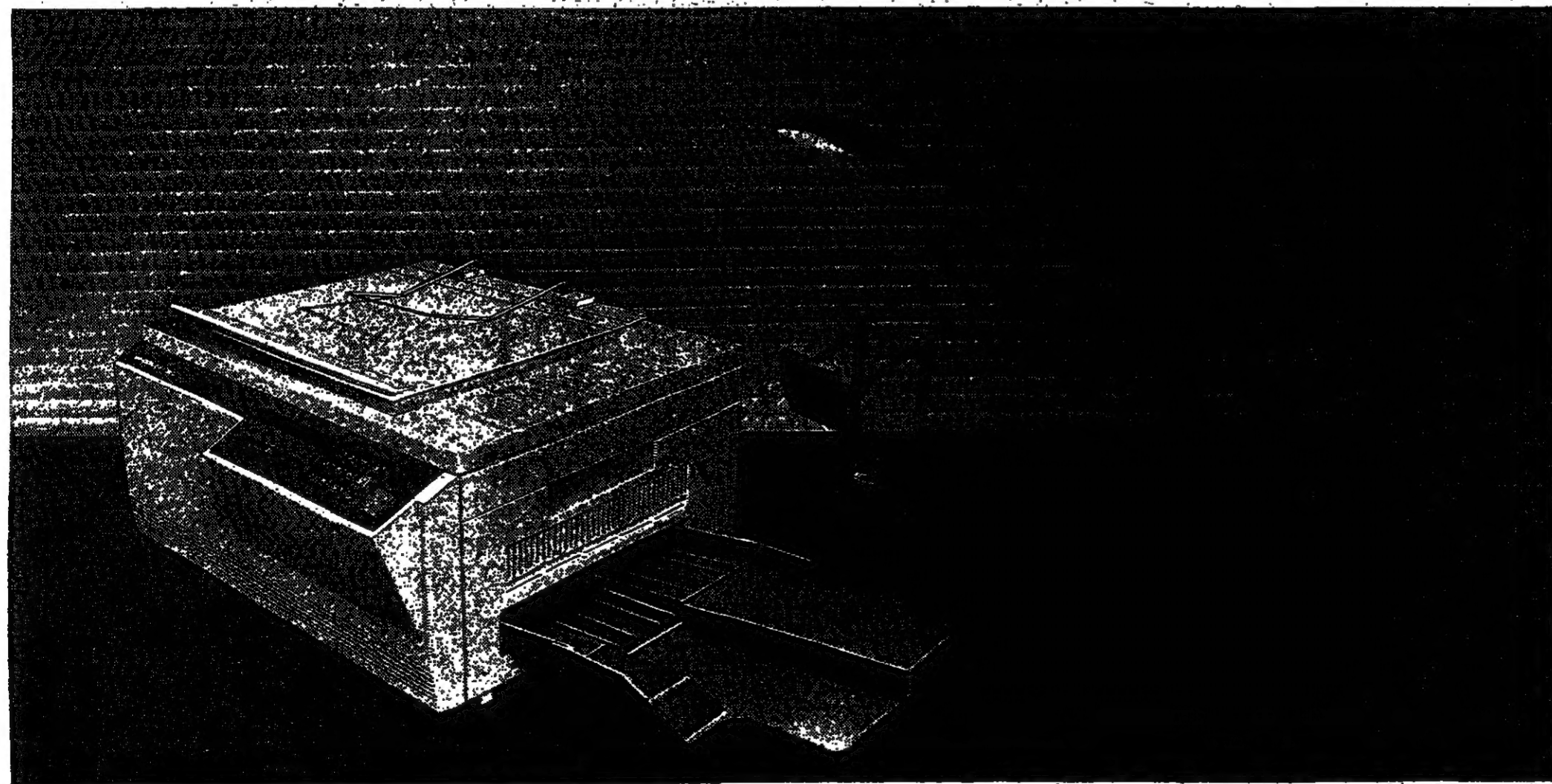
The wedding ceremony took place in a Baptist chapel at Llandilo, Derby, two weeks ago, and was conducted by the Baptist minister.

The bishop, aged 62, announced the news to a clergy conference at Swanwick, Derbyshire. He did not say then that his new wife, aged 38, was divorced. But later he disclosed that she had separated from

her first husband after a short marriage when she was a student.

The bishop said he believed marriage to be sacred. It was a belief he had often expressed. "But I think that all marriages fail to some extent."

The Bishop of Derby, the Right Rev Cyril Bowles, said that the Bishop of Repton had consulted him about his decision. There was no reason why he should not continue as a Church of England bishop. He has been a widower for five years.



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Thatcher condemns Israel for its unprovoked attack

By Hugh Noyes
Parliamentary Correspondent

Mrs Margaret Thatcher said in the Commons yesterday that she did not believe that Iraq had the capacity to make nuclear weapons.

With the firm support of most MPs on both sides of the House, she condemned "totally and utterly" the Israeli attack.

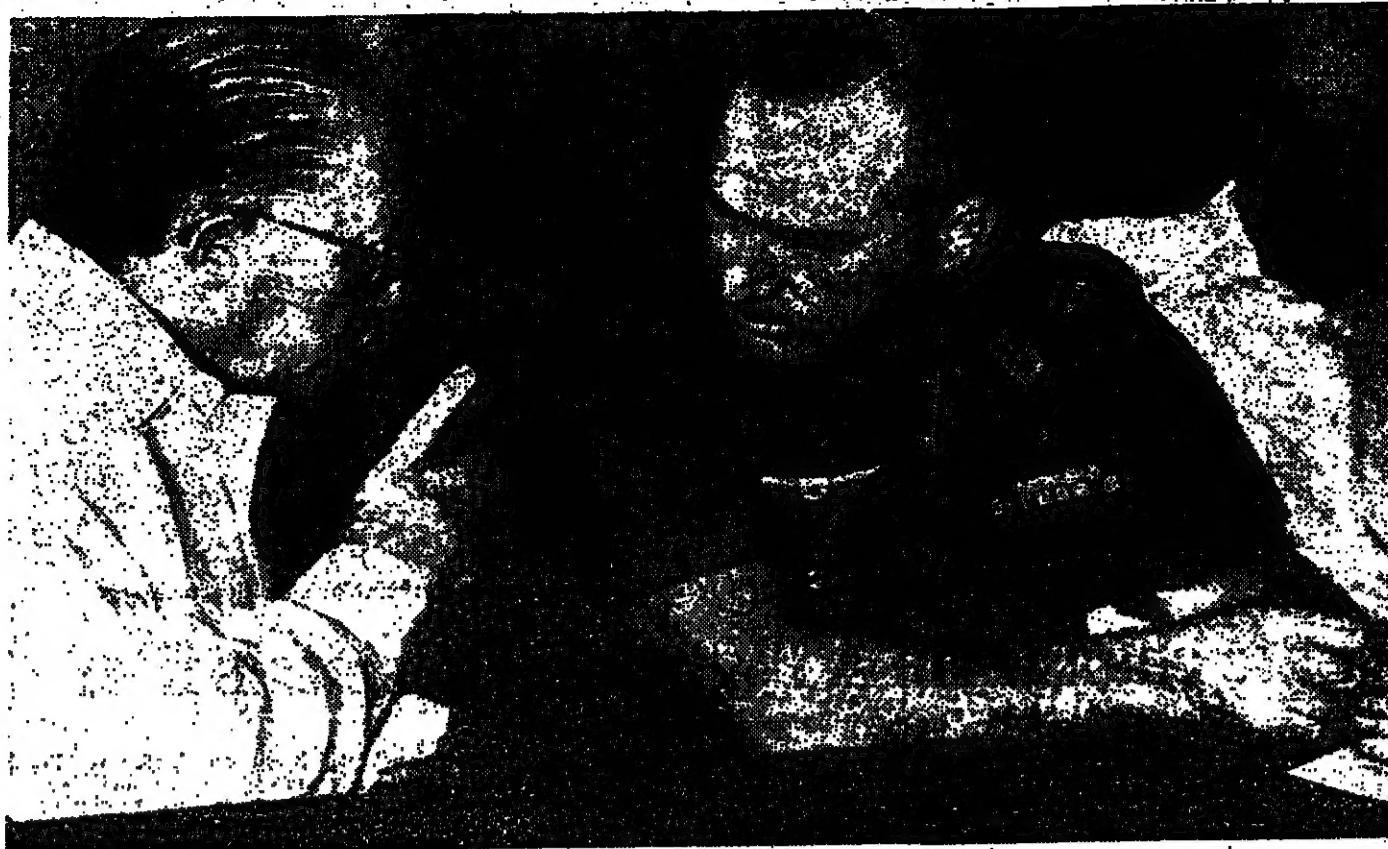
She emphasized that if there had been a similar attack on Israel, she would have condemned that in the same way.

Mrs Thatcher pointed out that Iraq was a signatory to the nuclear non-proliferation agreement and that the installation, 15 miles from Baghdad, had been inspected in February.

The only MP to attempt a justification of the Israeli raid was Mr Greville Janner, Labour MP for Leicester, West. Mr Janner, president of the House of Deputies of British Jews, reminded her that Iraq would certainly have used nuclear weapons against Israel and asked if she did not feel a certain sense of relief that Baghdad would not have such a potential for some time to come.

Mrs Thatcher repeated her condemnation and reminded Mr Janner of her earlier words that there had been an attack on Israel she would totally and utterly have condemned it.

From the Conservative benches, Sir Hugh Fraser condemned any use of force but



Mr Begin confers with General Rafael Eitan, Army Chief of Staff

pointed out that over the past few years many MPs had drawn attention to the danger of the export by the last French government of enriched uranium to Iraq and of the threat to peace.

He hoped that Lord Carrington, the Foreign Secretary, would take this opportunity of saying that there should be, in the Middle East, the possibility

of organizing prevention of the sale of offensive weapons.

The Prime Minister said that the high grade of uranium supplied to Iraq was the type necessary for the kind of research reactor that was being built. But she agreed that care should be taken over which countries were supplied with such uranium.

Mr Foot asked how many

countries were able to manufacture nuclear weapons, and how many were open to inspection by the international authority.

The Prime Minister said the Government firmly supported the non-proliferation treaty and wished that more countries would become signatories. The Government, she said, did not believe that at the moment Iraq

had the ability to manufacture fissile material for nuclear weapons.

Another Conservative backbencher, Mr Dennis Walters (Westbury, C), Mr David Crouch (Canterbury, C), Mr Robert Hicks (Bodmin, C), Mr Andrew Faulds (Warley, East, Lab), Mr Michael Foot (Luton, Lab), Mr John Birt (Leeds, Lab), Mr Walters is chairman of the Conservative Middle East council.

any attack of this kind must be condemned wherever it occurred and whoever carried it out.

For the Social Democrats, Dr David Owen told the Prime Minister that she should reconsider her personal animosity to a comprehensive test, but

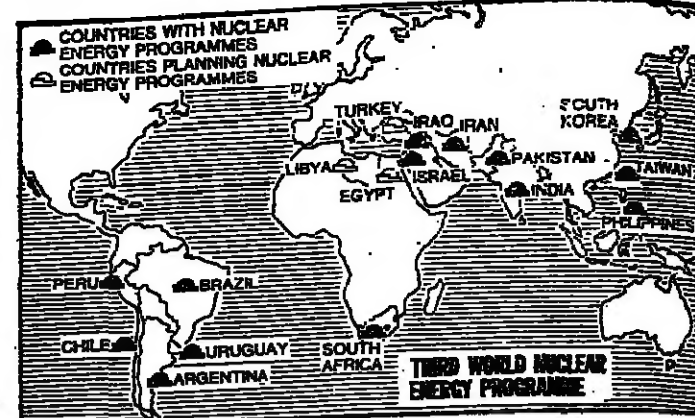
she should take a more positive role in the negotiations with the Soviet Union and the United States to ensure that the treaty was now endorsed.

Mr David Steel, leader of the Liberal Party, suggested that there was a lesson in this for the Western democracies in that they should be less cavalier in their export of nuclear technology.

Mrs Thatcher said it should not be thought that just because a country was trying to manufacture energy from nuclear sources that it was doing something totally wrong. Conservative and Labour backbenchers were last night signing a Commons motion condemning what they called an unprovoked attack and calling attention to the fact that Iraq had signed the nuclear non-proliferation treaty while Israel had refused to do so (our Political Correspondent writes).

The motion continues: "This House... expresses its outrage at this latest Israeli aggression and expresses its deep concern that Mr Begin's military adventurism has not only Middle East but world peace."

The principal signatories were: Mr Dennis Walters (Westbury, C), Mr David Crouch (Canterbury, C), Mr Robert Hicks (Bodmin, C), Mr Andrew Faulds (Warley, East, Lab), Mr Michael Foot (Luton, Lab), Mr John Birt (Leeds, Lab), Mr Walters is chairman of the Conservative Middle East council.



Safeguards fail to halt proliferation

By Our Foreign Staff

Nuclear weapons can be acquired either through a specific military programme dedicated to the production of bombs, or indirectly through a civilian nuclear energy programme which provides enough spare fissile material to make weapons.

The "Big Five" military nuclear powers—the United States, the Soviet Union, Britain, France and China—have all obtained their military nuclear stockpiles through a civilian nuclear energy programme which provides enough spare fissile material to make weapons.

International diplomacy to curb proliferation of nuclear weapons dates from December 1953 when President Eisenhower launched the Atoms for Peace programme. The United States hoped to persuade other countries to join the military nuclear club in exchange for receiving technological help on civil nuclear programmes.

In fact, the Atoms for Peace programme spawned a worldwide nuclear technology that has made it much easier for developing countries to acquire a military potential than was the case when it had been denied the technological help in the first place.

The main accomplishment of the programme was the creation of a system of international safeguards supervised by the International Atomic Energy Agency (IAEA) established in Vienna in 1957. The IAEA has monitored the arrangements for countries receiving technological help.

The next stage in non-proliferation was the Non-Proliferation Treaty (NPT) signed in 1968. Eighty significant states—France, Argentina, Brazil, India, Israel, Pakistan, South Africa and China—have refused to sign the NPT mostly on the grounds that it discriminates against them because existing military nuclear powers have not fulfilled their obligations to reduce their own nuclear armaments.

Of those eight, France has been the most vocal in its opposition to the aims of the treaty, though French assistance both to Israel and more recently to Iraq has caused some doubts about that undertaking.

There are 115 signatories to the treaty and Latin America is its purpose has been reinforced by the Treaty of Tlatelolco (February 1967) which sought to limit nuclear weapons in that region, though that treaty is not likely to prevent Brazil and Argentina from developing a weapons potential should they so decide.

The non-proliferation movement suffered several setbacks in the 1970s. The first was caused by India's explosion of a peaceful nuclear device which relied on Canadian plutonium. Concern at that explosion led to Canada putting an embargo on the export of uranium which included even Canada's allies.

The United States also passed its own Non-Proliferation Act (1978) which considerably tightened up its procedures for exporting nuclear technology. Secondly, the oil embargo in 1973/74, and the increased oil price, created much more interest in developing nuclear energy programmes, coupled with concern that sufficient uranium to fuel all the reactors might not be available.

This led to a general assumption that plutonium fuel could be used as a substitute for uranium. Plutonium is a natural byproduct of nuclear reactions and can be removed by a relatively simple chemical process and then used in the explosive core of bombs. Weapons-grade uranium, on the other hand, is much rarer and harder to process.

The IAEA has predicted that by the end of the decade 40 countries will be using plutonium fuels in their reactors, while the safeguards and supervisory required to deal with such proliferation will not have been adequately developed.

The third setback for the treaty arose from the proposed sale of facilities which would enable countries such as Iraq and Brazil to acquire a weapons-grade nuclear programme without first developing a full range of civil power stations.

Moreover America's share of world exports in nuclear material began to decline because of competition from Europe and Japan. France, Germany, Britain, the Netherlands, Japan and South Africa have all started their own programmes to provide enriched uranium, which would enable them to see their commercial competition did not breach existing safeguards. A new set of guidelines was finally decided in January 1978.

In the face of further evidence that the existing procedures of the NPT and the London Nuclear Suppliers group were not going to prevent proliferation, the Carter Administration set up a programme called the International Nuclear Fuel Cycle Evaluation (INFCE) which was to last for two years, a period in which nations could examine how to meet their needs for fuel without adding to the risk of proliferation. The meeting in Vienna was attended by 66 countries, combining suppliers and producers.

Those present merely identified further steps which would be necessary if the production of nuclear fuels were to be controlled during the 1980s.

Those steps concentrate on the fuel cycle rather than on diplomatic declarations such as a Comprehensive Test Ban Treaty because the experts recognize that proliferation will occur through the spread of technology, rather than through military necessity.

It has also been suggested that special international stockpiles should be set up as storage centres for excess plutonium so that supply and demand for nuclear fuels would be subject to international control.

The point about proliferation safeguards was put succinctly however in a recent paper from Georgetown University: "Safeguards are analogous to burglar alarms that do not lock on until they provide means of detecting that material or equipment is missing or is being used in abnormal ways. Once evidence of diversion is discovered, safeguards have performed their task."

Several countries in the Middle East have advanced nuclear programmes. For example, Israel itself since 1964 has operated a 24-MW reactor near Dimona. Experts estimate that the Israelis have the capacity to produce enough plutonium to make one Hiroshima-sized bomb a year, and may already have prepared 10 or 20 such weapons.

Pakistan is reported to have at least three projects for plutonium separation and enrichment. The Pakistanis constructed a large centrifugal uranium enrichment plant near Kahuta with the help of data stolen from The Netherlands and equipment obtained covertly from a number of European manufacturers.

which could reach their target from Saudi Arabia or Egyptian Sinai. But Egypt has signed a peace treaty with Israel and the Saudis would never permit the Syrians to fire weapons from their territory.

The Iraqis could fly their own air strike against a Dimona reactor, but they received King Hussein's permission to refuel in Jordan. But Israel's air defence system is so efficient that not one Iraqi MiG jet would be likely to get within 50 miles of its target.

The Baghdad conference after noisy condemnations of the United States as well as the Arab League, and with inter-Arab suspicions as sharp as ever and its response to the Israeli attack blunted by political and military impotence.

Iraq not making atom arms, Waldheim says

By Our Foreign Staff

Dr Kurt Waldheim, the Secretary General of the United Nations, condemned the attack as a violation of international law. He said in Tokyo yesterday that he was convinced the Iraqis had no intention of producing nuclear weapons.

He told journalists at the start of a four-day visit to Japan, that he could not accept Israel's argument that it was forced to make a preemptive strike against the plant to prevent Iraq from building nuclear weapons.

"With due respect to Israel we cannot accept the argument that Iraq was going to build a nuclear bomb. The plant was not even ready yet and in any event Iraq is a member of the non-proliferation treaty."

Dr Waldheim added that the raid was a very serious incident which could lead to far-reaching consequences.

"The situation in the Middle East is dangerous enough. First we had the missile crisis in Lebanon and now this new incident has made things even more difficult."

He said: "I have given instructions that the Security Council should be convened by the end of the week because the raid should be considered a grave incident which could affect international peace and security."

Arabs to decide on UN approach

The United Nations Security Council is expected to meet on Friday to condemn the Israeli attack. The Iraqis asked for an immediate meeting yesterday but the word "immediate" has a different meaning in the United Nations from elsewhere. Diplomatic considerations make Friday the earliest likely date.

The Arabs wait to wait until after the Arab League meeting which begins in Baghdad tomorrow. Mr Sadoun Hammadi, Iraq's Foreign Minister, is expected to attend the council session.

Most delegates agree with Monday's statement by Dr Waldheim, the Secretary-General, that the raid has violated international law and "must be condemned". The most enraged of the Arabs would like to see sanctions imposed against Israel.

Moscow blames Americans

Moscow: The Soviet Union accused the United States of inspiring the Israeli air raid. An official statement by Tass, clearly sanctioned at high level, also denied Israeli arguments that the Iraqi nuclear plant was intended to produce nuclear weapons when complete.

"This act of gangsterism is a link in the long chain of Tel Aviv's crimes of which the ruling circles of the United States of America are direct accomplices and, in effect, inspirers. Billions of dollars flow in a

Raid will not affect supply of US arms

Washington: The Administration here will decide very shortly whether Israel infringed American restrictions on the use of its military aircraft during Sunday's raid on the Iraqi nuclear power plant, a State Department spokesman said.

But even if Israel were found guilty of breaking American rules, the spokesman indicated that this would not affect sales of military equipment or other aspects of the close relationship between the two countries.

Shortly after the announcement of the raid by the Israelis yesterday, the United States Government condemned the attack and said that Tel Aviv might have violated American law which provides that military equipment is sold to Israel under condition that it be used only for defensive purposes.

Jerusalem: Three people died in the attack on Iraq's nuclear reactor, Israeli military intelligence chief announced. General Yehoshua Saguy said: "Given the number of planes and bombs used, the attack only caused three deaths." The plant is staffed by 150 French technicians and 200 Italians.

Middle East turmoil could be exploited

Cairo: Egypt voiced its strong condemnation of Israel with an appeal to the United States and other peace-loving nations to force Israel to stop its violence and aggression in the region. It said that Israel would be responsible for the consequences of the dangerous escalation of tensions in the Middle East.

Meanwhile, however, senior Foreign Ministry sources said that Egyptian officials would not affect the scheduled visit here of Mr Shimon Peres, Israel's opposition leader.

In a statement to Parliament, Mr Kamel-Hassan Aly, deputy Prime Minister and Foreign Minister, described the Israeli attack as irresponsible, unjustified and premeditated. He said the turmoil and area was wallowing in could be exploited by foreign power plotting against the nations in the region.

Although he did not mention the Soviet Union by name, it was a clear reference to Moscow and in the keeping with Egypt's belief that unrest in the region increases Moscow's chances of encroaching on the oil-rich Gulf.



Dr Waldheim: condemned the Israeli attack as a clear violation of international law

Iran: Mr Muhammad Sadeghi, Iran's Labour Minister, yesterday rejected the Iraqi charge of Iranian complicity in Israel's attack on the Osirak reactor and said Israel was the aggressor.

Speaking in Geneva, Mr Sadeghi said: "Fearing Iran will defeat Iraq and a new Iraqi government would join with Syria to support the Palestine people, Israel is buying time by seeming to help Iran in its war against Iraq."

President Abolhassan Bani-Sadr also condemned the attack. His statement reiterated "our irreconcilable opposition to the Iraqi regime, but added: 'our war against the aggressor does not deter the Muslim nation from strongly denouncing the Israeli aggression'."

Saudi Arabia: The King's Cabinet called on Arab and Muslim countries to forget their differences and stand together against Israel. Mr Muhammad Abdo Yamani, the Information Minister, said the attack was "the peak of international terrorism practised by Israel."

Gulf States: The United Arab Emirates newspaper, Al-Wahda said it was "unthinkable that Washington could have no concern with the Israeli raid."

The newspaper Al-Khaleej lamented the raid as "one of the most painful blows ever dealt the Arab world." The target had been an attempt to counter the Israeli superiority in nuclear technology.

Al-Bayan claimed that "Israel obtained a go-ahead signal from Washington before mounting the attack." It urged the Arabs to reconsider their friendly ties with Washington.

In Abu Dhabi, Mr Rasheed Abdullah, the Minister of State for Foreign Affairs, described the Israelis as "human haters, violators of human values."

Kuwait: Mr Ahmad al-Fahad al-Sabeh, speaking in Amman, urged the Arab world to "stand together against the Israeli aggression."

Syria: Mr Abdul-Halim Khaddam, the Syrian Foreign Minister, speaking in Amman, described the Israeli action as "an aggression against the whole Arab world." It showed "the real aggressive aims of Israel."

Tunisia: The Tunis newspaper Le Temps criticized the Iraqis for failing to protect the reactors. It deplored their "non-chalance and let-it-go attitude."

The attack was designed to weaken the Arabs and extend the Israeli attack on the region, it commented.

President Habib Bourguiba condemned the bombing as "an act of international banditry."

Lebanon: Mr Fawad Buroos, the Lebanese Foreign Minister, saw the attack as part of Israel's aggressive policy. It proved, he said, that "Israel is determined to continue its action that it claims to be defensive."

Sudan: Arab countries must overlook their differences and stand together against the Israeli aggression. Mr Muhammad Mirghani, the Foreign Minister, said in Khartoum. He condemned the "criminal attack" which was intended to destroy Arab development capabilities.

France avoids saying it will rebuild reactor

From Ian Murray, Paris, June 9

France has vehemently condemned the Israeli raid which destroyed the larger of the two nuclear research reactors being built by French technicians in Iraq.

The condemnation is genuine and deeply felt, the more so since the only known casualty of the raid, Mr Damien Chaussepied, was an enterprising young French engineer, just 25 years old and fresh from university.

At the same time the seven year old nuclear cooperation treaty with Iraq, under whose terms the reactors have been built, is an agreement which President Mitterrand has criticized in the past and which has generally been disliked by the Socialist Party.

Only last Friday, M Georges Sarra, president of the Socialist group on the Paris city council, said in a radio interview in Jerusalem: "The supply of enriched uranium to Iraq carries with it a serious danger for the security of Israel and for peace in the Middle East. Iraq must not be given the possibility of obtaining the nuclear weapon."

Mr Pierre Mauroy, the Prime Minister, was quick to condemn the raid during a radio debate yesterday as unacceptable and very serious, which complicated an already explosive situation. However, he was slow to answer just what is to happen next.

Any request which could be made by Iraq to impose sanctions on Israel and to replace the destroyed reactor would be studied, he said. Moreover, some problems had already been posed by this nuclear reactor. We have the will not only to conduct an arms race, but to reinforce the control of nuclear reactors."

The cooperation agreement, he said, now had to be seen to be studied, not only against the background of "this unacceptable Israeli raid" but equally against the policies which the Government intended to follow.

On the one hand France intended to respect its contracts with Iraq and avoid any difficulties for French oil supplies.

A Franco-Egyptian nuclear energy cooperation agreement was approved yesterday by the Egyptian Parliament. Under its terms, drawn up last March, France would supply to Egypt two 1,000MW nuclear power stations.

After such a raid, Mr Mauroy said, it was clear that unforeseen results would follow.

Foreign minister from 13 Arab League Nations will meet in Baghdad in two days to formulate what they hope will be a United Arab response to the Israeli attack.

But the Arab world is at present so divided that the possibility of the league voting for some form of military retaliation is virtually non-existent. Arab nations have been united in one thing since the news of the raid was made public yesterday: that the United States bears the primary responsibility for the attack since it permitted its aircraft to be used in the mission.

After the repeated Israeli attacks on Palestinian guerrilla targets and Lebanese villages, the United States' expressions of deep concern over Israel's action have had little effect in the Arab world.

Saudi Arabia, in particular, is incensed that Israel should fly over its territory to attack the Iraqi reactor. Arab diplomats here say that Mr Philip Habib, President Reagan's Middle East envoy, was actually flying to Riyadh last night on the next leg of his mission when the Saudis

radioed that he would not be welcomed if he landed.

In fact, Mr Habib arrived in Beirut this afternoon for further talks with President Sarkis of Lebanon, after what American officials mysteriously described as an overnight stay in a European capital.

The United States itself is under no illusions about the extent of Arab anger. A confidential dispatch sent to all American embassies in the Middle East, including Saudi Arabia, early today advised all diplomats to remain indoors and to avoid any of the most urgent appointments during the coming week. There have so far been no attacks on American embassies or property in the region.

The Saudis may themselves stifle further criticism of the raid in the hope that further packages of American weapons will be sent to them. The Saudis can now argue that they need more advanced air defence systems.

As the distance between Israel and Baghdad is roughly the same as that between Israel and Riyadh, the Saudis can claim that they are as likely to be under attack as the Iraqis.

Saudis to urge restraint at Baghdad meeting

From Robert Fisk, Beirut, June 9

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A French technician working at a nuclear plant

The Saudis are going to exercise a restraining hand, therefore, at the Arab League meeting, although there may well be proposals to raise the price of oil for American consumption. Proposals of that nature will be defeated, of course, because the United States can avoid such pressure.

The Palestine Liberation Organization has already called for economic retaliation against America, but it has done so before, to no effect.

The Arabs possess the capacity for a military response against the two nuclear reactors and the plutonium processing plant at Dimona in the Negev desert.

Both Syria and Egypt have sent ground-to-ground missiles

which could reach their target from Saudi Arabia or Egyptian Sinai. But Egypt has signed a peace treaty with Israel and the Saudis would never permit the Syrians to fire weapons from their territory.

The Iraqis could fly their own air strike against a Dimona reactor, but they received King Hussein's permission to refuel in Jordan. But Israel's air defence system is so efficient that not one Iraqi MiG jet would be likely to get within 50 miles of its target.

The Baghdad conference after noisy condemnations of the United States as well as the Arab League, and with inter-Arab suspicions as sharp as ever and its response to the Israeli attack blunted by political and military impotence.

Mossad's secret war against nuclear threat

By Ronald Payne and Christopher Dobson

Israel has a history of responding vigorously to any prospect of nuclear blackmail, sometimes carrying out a military strike, as in the raid on the Osirak reactor, and sometimes using clandestine methods.

In the 1960s, when President Nasser hired a team of German scientists to develop long-range rockets, capable of showing Israel with direct atomic waste, project leader and his team captured parcel bombs. One hurt the secretary and the Germans left Egypt.

But it is towards Iraq that most effort has been directed. One of the main tasks of the Israeli Secret Service, Mossad, has been to penetrate Iraq's nuclear secrets and to do all in

its power to delay progress. In 1974, the newly-elected President, Giscard d'Estaing, sent his M. Jacques Chirac, Prime Minister, to Baghdad to negotiate the nuclear deal. A year later Mr Chirac showed President Saddam Hussein round the French nuclear centre at Cadarache and contracts were later signed.

France was to provide two reactors originally named Isis and Osiris, but later because of the Egyptian connection, and in view of President Hussein's dislike of President Sadat, the names were changed to Tamuz I and Tamuz II. Also provided was 168lb of uranium enriched to 93 per cent.

The Israeli calculation was that this could be made up to

97 per cent weapon-grade fuel enabling Iraq to make six Hiroshima strength bombs. It must not be forgotten that the Israelis had direct experience of French atomic negotiations.

In 1957 Mr Shimon Peres had signed a secret agreement with the French Government which supplied them with a reactor established at Dimona in the Negev which made it possible for the Israelis to prepare an estimated 15 nuclear weapons.

The first known attack on Iraq's potential was in April 1979 when saboteurs blew up the Osirak reactor at La Seyne-sur-Mer where it awaited shipment.

Intelligence sources in Paris said at the time that those

explosions bore the hallmark of Israeli agents.

On April 4, a three-man team landed at Hyeres airport, Toulon, after flying from Paris. In a hired car they drove to a villa, where they were joined by four other agents.

The men spent 40 minutes trying to remove key parts from the Iraqi equipment. But they decided there was not enough time left before the guards returned and adopted a fallback plan: they set time bombs on the crucial parts and fled.

Both reactors were badly damaged and it was estimated at the time that this would set back Iraq's nuclear development by two years.

French refusal to return Basques angers Spaniards

From Richard Wigg, Madrid, June 9

Spain has been angered by remarks made by M. Pierre Mauroy, France's new Prime Minister, interpreted by officials here as a rejection of Spain's demand for the extradition of one of the most wanted Basque terrorists.

The wave of annoyance over the visit, expected this weekend, of M. Claude Cheysson, the French Foreign Minister, to Madrid.

Relations have been poor between the two countries since President Giscard d'Estaing slowed Spain's EEC entry negotiations last year. But Madrid was hoping for a marked improvement, especially in the fight against ETA terrorism which is so crucial in deciding the Spanish military's attitude towards democracy.

As soon as M. Mauroy's remarks upholding France's tradition as a land of asylum were made in a radio broadcast, were known here last night, Señor José Pedro Pérez Llorca, the Foreign Minister, summoned the French Ambassador to a meeting which went on 90 minutes.

Afterwards the minister said the prospect was enormously grave if France did not agree to extradite Señor Tomas Linazas, a 29-year-old Basque, accused by the Spanish police of participating in a bomb attack which killed six members of the Civil Guard last year.

What has especially angered the Spanish Government is that the Linazas case is not a well documented and that last week a Paris court upheld the

extradition petition on the ground that the terrorist had committed criminal offences. The Linazas case is only one among a dozen similar extradition demands involving Basque terrorists.

Señor Francisco Fernández Ordóñez, the Justice Minister, immediately called in his chief aides and threatened to revise the extradition treaty between the two countries. He noted angrily that in four years France had never once agreed to Spain's extradition demands, whereas it had to those of Britain, West Germany and Italy.

Refusal to hand over Basques to Spain would indicate that the new Socialist Government is anxious to repolish France's somewhat tarnished image as a land of political sanctuary (Jan Murray writes from Paris). In recent years extradition has almost automatically followed a court recommendation—the one exception being that of a Basque militant in 1979.

In refusing extradition the French Government can claim to be honouring the 1877 Franco-Spanish convention, which agreed there should be no handing over of political militants between the two countries.

In the Basque question there is also a practical issue. Basques in France are largely militant only at a cultural level, but should the Government agree to extradite people wanted in Spain, there is a real danger of the terrorism spreading into France.

Namibia parties ready to listen to Western plan

From Eric Marsden, Johannesburg, June 9

Most of Namibia's internal political parties are willing to listen to the details of the new Western plan for the territory which will be put to them by Mr. William Clark, the United States Deputy Secretary of State, and Dr. Chester Crocker, the Assistant Secretary of State-designate. Party meetings were held today in preparation for the meeting with the American visitors.

The Democratic Turnhalle Alliance, which has a big majority in the Namibia National Assembly and runs the internal government, met for several hours, as did the Namibia Independence Party and the Swapo Democrats—a breakaway group from the South-West African People's Organisation which seeks a constitutional settlement and does not support the guerrilla war.

Mr. Andreas Shipanga, leader of the Swapo Democrats, indicated that his party would listen to proposals for amendments to United Nations Security Council Resolution 435, which has so far been the basis for negotiations but is now rejected by the DTA and South Africa. Mr. Shipanga said the resolution was "made by man and is not holy writ".

Mrs. Orlie Abrahamson of the NIP said her party was grateful to the United States for seeking constitutional guarantees for minority rights but she added that particular population groups should not be singled out for protection by such safeguards.

Mr. Eben van Zijl of the Akur Party, which still controls the old white legislature, said his party had been invited to meet the Americans and would "play it by ear" and give its own views on the Namibia problem. Mr. Sarel Becker of the ultra-right-wing Herstigte Nasionale Party said it had not yet been decided whether to meet Mr. Clark and his team.

The Americans will not see any representatives of the mainstream Swapo movement in Windhoek because there are no longer any "above ground".

The mission is due to arrive in Cape Town tomorrow night and will spend all Thursday in talks with Mr. R. F. Botha, the Foreign Minister, and other ministers. The Americans are expected to meet Mr. P. W. Botha, the Prime Minister, before flying to Windhoek on Friday.

They will find the two Bothas and their colleagues fully briefed on the military as well as political situation, as the entire cabinet returned on Monday from a secret visit to the operational areas. The ministers also met Mr. Danie Hough, the Administrator of South-West Africa (Namibia).

Though the shortness of the visit means that it will be devoted almost entirely to the future of Namibia, the South African ministers may take the opportunity to express their concern over the effects of the documents leaked in Washington on the talks last month between Mr. R. F. Botha and Dr. Crocker.

The disclosure of one of these documents, in particular, could prove a costly embarrassment to Pretoria. It refers to the dispute between the United States and South Africa over the suspension of supplies of American enriched uranium to South Africa because of its refusal to sign the Nuclear Non-Proliferation Treaty.

The document points out that if the scheduled date—March, 1982—for initial fuel loading for the Koeberg reactor near Cape Town is not met, the delay could be very costly.

It also explains the South African stand on the Nuclear Non-Proliferation Treaty, and makes it clear that the Government wants to "keep potential attackers nervous" about South Africa's nuclear capabilities.

LAGOS ACTS TO HALT SPRINGBOKS

From Karan Thapar, Lagos, June 9

The Nigerian Government is to take immediate steps to get the September conference of Commonwealth finance ministers moved from New Zealand because of the South African Springboks rugby tour scheduled to begin next month.

Announcing this last night, the Nigerian Foreign Office said: "In the name of all that is good, the federal Government of Nigeria appeals this day to the Government of New Zealand to take every possible step to stop the tour."

Australian policy switch upsets Asean

From David Watts, Singapore, June 9

Mr. Anthony Street, the Australian Foreign Minister, did his best today to paper over a sizable rift in foreign policy cooperation between Canberra and the Association of South-East Asian Nations (ASEAN) over Cambodia.

The cornerstone of Asean's Cambodia policy is to maintain the United Nations seat in the ousted Democratic Kampuchea (DK) government while it uses all diplomatic and political means to force the Vietnamese to withdraw their troops.

But having ceased to recognize the DK Government in February, Australia has now decided it will no longer always vote for it at the United Nations. This contrasts with Britain and the United States

which continue to give their support despite having withdrawn recognition.

Mr. S. R. Rajaratnam, Singapore's second deputy Prime Minister with responsibility for Foreign Affairs, expressed the anger of Singapore when he told a local newspaper soon after Mr. Street's arrival last Saturday that Australia's stance would "certainly damage the foreign policy interests of Australia, seriously questioning its credibility as a reliable ally of those who have taken up the Soviet challenge in South-East Asia and bring comfort to the Vietnamese".

Mr. Rajaratnam, like others in Asean, fears that the position adopted by Australia seriously undermines the efforts to main-



The Prince of Wales and President Mitterrand of France at their meeting in the Elysée Palace yesterday when the French President confirmed that he would attend next month's Royal wedding in London.

French electoral battle

Chirac becomes the leader of the right

From Charles Hargrove, Paris, June 9

While President François Mitterrand expresses confidence that the "state of grace" from which he predicts during his election campaign to benefit if victory came his way will last for several months, M. Jacques Chirac, the Gaullist leader, is expressing equal confidence—in public at least—that the outgoing majority will win the general election on June 14 and 21.

The last opinion polls before the first ballot—there is a ban on their publication in the week preceding the polls—all point to a victory of the left, and one even to an absolute majority of the Socialists and Left-Wing Radicals alone in the new National Assembly. But M. Chirac's cast-iron optimism remains unimpaired. He is using the same recipe as in 1978. And he reminded the participants of a Press Club broadcast on Europe No. 1 over the weekend that he had been proved right then, when polls and prognosticators all predicted the majority's defeat.

For M. Chirac, the "state of grace" enjoyed by President Mitterrand is already beginning

to wear off. "If François Mitterrand had waited another fortnight to call these elections, he had every chance of losing them," he said. "Confidence has been lost as much on the national as on the international plane."

It was the task of the Union for the New Majority, of Gaullists and Giscardians, to restore it by winning the election. He probably does not really believe that the outgoing majority can win the election. But it can consolidate itself for the future. He has hurried himself into the electoral battle with undiminished zest and energy, scouring the country by aircraft and by helicopter, holding anything up to half a dozen meetings a day, and whipping up the flagging energies and enthusiasms of the Gaullist militants.

He has succeeded within a month since the presidential election in imposing himself as the uncontested leader of the right. M. Valéry Giscard d'Estaing, who, like the Bourbons, seems to have learnt nothing and forgotten nothing, has for the foreseeable future

been forced off the political stage, and M. Raymond Barré, the former Prime Minister, has not yet decided to make his entrance upon it, save in a small way as a candidate in his constituency of Lyons. The Giscardians have no one who is a match for M. Chirac, and they consequently cling to him as the only man who can check, if not swing, the Socialist tide.

The most potent argument used by M. Chirac and the outgoing majority is that if the Socialists and their Communist allies won the parliamentary election, France would be entirely delivered to the domination of the left. It already controls the presidency, and the premiership, two-thirds of the municipalities of more than 30,000 inhabitants, and the trade unions. France, he says, would then be promised the joys of collectivism and economic and financial catastrophe. But with a return to Parliament of the outgoing majority, President Mitterrand would be compelled to compromise over the Socialist and collectivist doctrine.

The only trouble about that

argument is that for the past 23 years, the Gaullists have been using it against the left, on the ground that a parliamentary majority which was at odds with the presidential one would lead sooner or later to deadlock and to a constitutional crisis.

M. Chirac denies that he is gambling on disaster in order to further his political ambitions. He declares that he is ready to strike a working compromise with the President, provided the Socialists break with the Communists, and shelve their plans for further nationalizations.

M. Chirac and the Union for the New Majority have another point when they insist on the vagueness of the new Government's declared intentions on a number of fundamental issues which, they argue, amounts to asking the voters to sign a blank cheque.

The participation of the Communists in the reshuffled Government is one of them, although M. Pierre Mauroy, the Prime Minister, made it clear last week that this was unlikely

Peking may launch invasion of Vietnam

From David Bonavia, Peking, June 9

The growing number of Chinese reports about Vietnamese military attacks on border areas of southern China suggests that another full-scale armed conflict between the two countries is in the offing.

As in 1978, the frequency and seriousness of such reports has been building up over recent months. If the comparison is accurate, the likelihood of another "self-defensive counter-attack", as China called its invasion of Vietnam in 1979, is considerable.

The latest attack reported by the Chinese side was said to be at battalion strength, in the Fokashan area of the border between Vietnam and China's south-western region of Guangxi.

The Vietnamese troops are said to have attacked Chinese frontier guards in several places after a heavy artillery barrage. There were no reports of Chinese casualties, but the report said the Vietnamese retreated when fire was returned, "leaving bodies and weapons".

There is a limit to the number of such attacks at such strength which the Chinese Government can report with out being seen to retaliate on the ground.

The possibility of another war

with Vietnam is fraught with political implications. Peking has little chance of effectively helping the new anti-Vietnam front in Cambodia proposed by Prince Norodom Sihanouk, former head of state.

The insurgent forces in Cambodia seem too weak and too divided politically to have a serious chance of defeating the Phnom Penh Government backed by the Vietnamese Army. The only effective measure open to China is to harass the Vietnamese on their northern borders and possibly in Laos.

The internal political situation in China also suggests there will be another attack on Vietnam, though the onset of the rainy season may delay it until the autumn. The People's Liberation Army has shown growing unrest over the liberal social and economic reforms put into effect by Mr. Deng Xiaoping, the leading vice-chairman of the Communist Party.

A fight with the Vietnamese would give the Chinese armed forces something else to think about, especially since they need to recoup the prestige they lost through the 1979 invasion, which was hardly a dazzling success.

Australian phones off

From Douglas Aiton, Melbourne, June 9

Australia is on the brink of a communications breakdown after the failure today of negotiations to end the strike by employees of Telecom, the Government-owned telephone service.

If the deadlock continues, chaos will result and already the effects of the dispute have spread from inter-state telephone services to Telex and computer communications.

The breakdown is a result of intervention by the Government in the dispute between Telecom and the two unions representing its 50,000 employees. After some weeks of bargaining, Telecom offered its employees rises of up to A\$32 (£17.70) a week.

This was accepted by the unions but the federal Government is not happy

STATE MPs PUNISHED IN NIGERIA

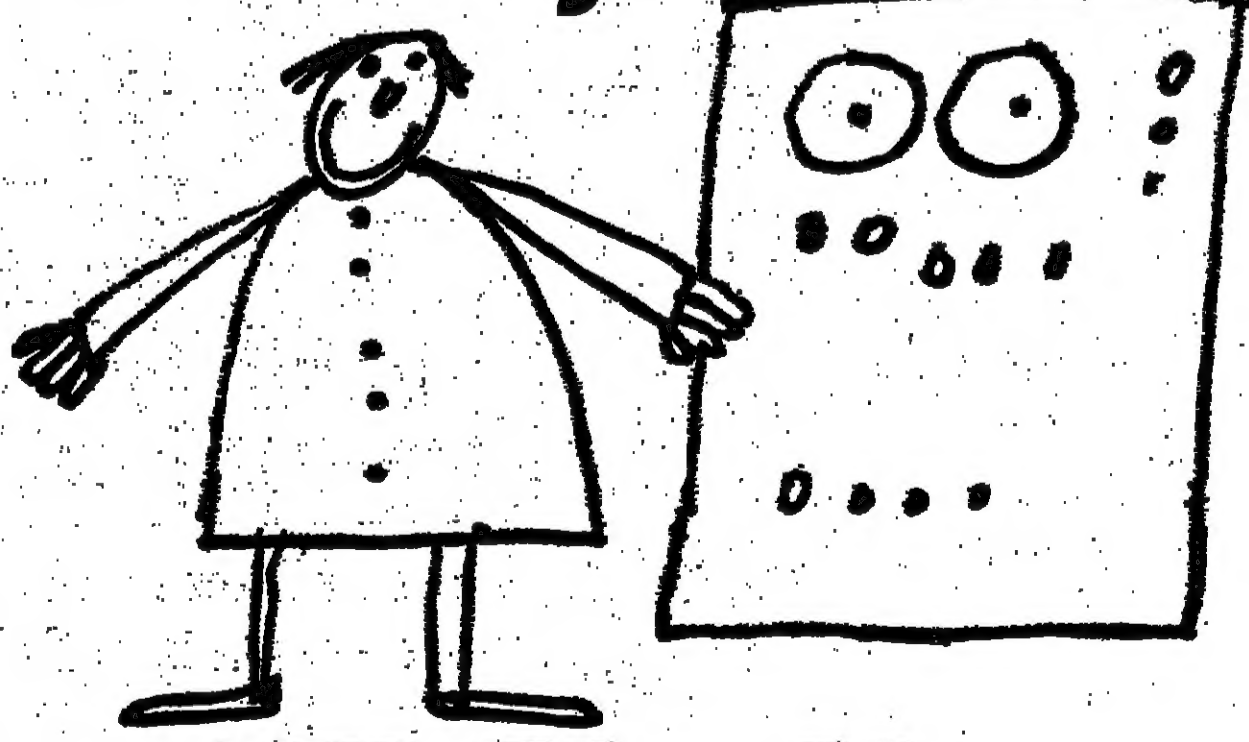
From Our Correspondent, Lagos, June 9

The Speaker and deputy speaker of the Nigerian House of Representatives had yesterday a nation of no confidence passed against them by 36 against 12 votes. They were given 24 hours to resign. Both officials have been accused of incompetence, fraud, abuse of power and embezzlement.

In the Lagos state assembly, a legislator was punished by the Speaker for unparliamentary language and obnoxious behaviour by having to stand until the end of the day's debate.

In Kaduna state, impeachment proceedings against the state Governor have started with the swearing in of an independent panel to investigate charges including allegations of favouritism and felony.

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Bani-Sadr loses the battle for Tehran's streets

From Tony Alloway, Tehran, June 9

Muslim extremists and Revolutionary Guards today after the second day of clashes with supporters of President Bani-Sadr.

Many injuries were reported as supporters of the left-wing Islamic Mujahidin, Khala organization, which backs the President in his struggle with the Revolutionary Guards, tried to rally for a protest demonstration in the afternoon.

Wherever they appeared, large bands of "Hezbollahis" or followers of the Party of God, charged at them with an assortment of weapons and a shower of stones. Revolutionary Guards armed with rifles and sub-machine guns backed them up, firing often into the air to deter the would-be demonstrators.

By the end of the afternoon the Hezbollahis were in full control, parading round Revolution and Martyrs Squares, where the Mujahidin had planned to gather, and shouting slogans in support of Ayatollah Khomeini and the fundamentalist clergy. Watching them were many of the frustrated Mujahidin, including young girls in their customary blue headscarves.

The Mujahidin called the demonstration to protest at the closure of the President's newspaper, in defiance of a ban yesterday on all such demonstrations by Ayatollah Khomeini. Today the state radio repeatedly warned listeners of the ban and the Central Security Committee

All masonic documents are seized in Italy

From Peter Nichols, Rome, June 9

Investigators inquiring into the P2 masonic scandal today ordered the seizing of all files and documents dealing with the full membership of freemasonry throughout the whole country.

General Enrico Battelli, the Grand Master of the Grand Orient of Italy, confirmed the decision today and added bitterly that an effort was being made "to involve the whole of freemasonry because of the lack of a dozen or so people".

It is understood that some 18,000 files have been sequestered. Total membership is estimated to be between 15,000 and 18,000. The Grand Master has taken the view from the beginning of the scandal that the P2 affair was the result of the activities of Signor Licio Gelli and had virtually no connexion with official freemasonry. Signor Gelli is in hiding to escape charges of espionage.

The scandal broke when lists of alleged members of his P2 group were published and were shown to include members of the last Government, leading figures in the armed forces and the secret services as well as journalists and writers.

The Government fell as a result of the publication of the list. Admiral Giovanni Torrisi, the head of the armed forces, as well as the commanders of the two intelligence services and the civilian coordinator of intelligence, have all gone on leave.

Yesterday, a further 15 generals and admirals were sent on leave, including six army generals, five from the carabinieri and four admirals.

Today, a further set of documents found by the police in the home of Signor Gelli were published. They do not appear to add any substantive new information not contained in the famous lists found in Signor Gelli's villa in Arezzo.

Signor Arnaldo Forlani, who led the Government brought down by the P2 scandal, today continued his consultations in an attempt to form a new administration. He saw representatives of the Republican Party today.

He has been instructed by President Pertini to make every effort to put together a new coalition. The President is said to be deeply anxious about the continuous deepening of the scandal while other urgent problems, such as the economy, the currency and terrorism, also require a decisive handling.

Argentine President under pressure from parties

From Andrew McLeod, Buenos Aires, June 9

The government of President Viola, which faces a crisis of confidence over Argentina's deteriorating economy, has been approached by political parties which, it is reported, have promised their support in return for economic changes, a plan to restore democracy and a solution to human rights problems.

Early this month, the peso was devalued by 30 per cent in order to halt a rush on the dollar and a drain on foreign reserves. The move came after devaluations of 30 per cent in April and 10 per cent in February.

But the measures announced by Signor Lorenzo Sigur, the new Minister of the Economy, have failed to have the desired effect. Interest rates remain high and the drain on reserves is continuing.

The economy is feeling the strain of large dollar debts built up under the previous Government when liberal open-market policies and an overvalued peso were expected to help industry to modernize.

The new economic team has come under criticism in most of the Argentine press. The English-language *Buenos Aires Herald* called for the economic team's replacement "by one man who has the authority necessary to persuade the population that he knows what he is doing".

The conservative *La Prensa* says that Signor Sigur has done exactly the opposite of what he has promised. It predicts further devaluation within 30 or 60 days and an inflation rate of 200 per cent by the end of the year.

But the Government's problems are not restricted to economy. Divisions within the armed forces and a strained relationship between President Viola and General Leopoldo Galtieri, the Army's commander-in-chief, and a member of the three-man military junta, have contributed to confusion over who is really running the country.

Rumours have been rife that the days of the Government which took office two and a half months ago, are numbered. The *Buenos Aires Herald* last week received an anonymous telephone call saying that a coup headed by General Benjamin Menéndez, a right-wing nationalist, would install a "popular government".

In a similar article, General Antonio Domingo Bussi, commander of the First Army Corps stationed in Buenos Aires province, who is a right-winger with populist leanings, is tipped to become the President.

General Viola is deposed by the military junta, the Foreign Minister, the

rural guerrilla movement in the northern province of Tucuman in 1975 and 1976, and carried out an extensive rural modernization programme there.

He would have the support of the peronists, if not of all the other political parties said to be involved in a proposed "pact" with the armed forces. These parties include the well-organized radicals and the Industrial Development Movement.

It is not clear, however, whether Señora María Estela Martínez de Perón, deposed as President by the military in March 1976, is prepared to give her approval. She has been held a prisoner of the military regime since her overthrow.

The Industrial Development Movement already has a foothold within the Government in the shape of Señor Oscar Camilión, the Foreign Minister. The movement favours protectionist economic measures.

Other conditions, the political parties are reported to have presented to the Government in return for their support are a solution to the problem of human rights—an estimated 15,000 people are believed to have disappeared since 1975—a trimming of the military budget and the sale of state-owned firms.

Trade unions, faced by rapidly mounting unemployment, have given their tacit approval to the political parties' proposals by refraining from strike action.

President Viola is said to be keen on resolving the problem of the *desaparecidos* (missing people) as soon as possible, but the military junta made it clear soon after he assumed office that the armed forces had no intention of accelerating the pace of liberalization.

Mugabe pledge to aid Swapo's struggle

From Stephen Taylor, Salisbury, June 9

Zimbabwe has served notice on South Africa that it intends to do what it can, short of allowing guerrillas to use its territory for forays against South Africa, to further the cause of nationalist movements fighting Pretoria's forces.

Speaking at the end of Zimbabwe's week of solidarity with the South-West African People's Organization (Swapo) Mr Robert Mugabe, the Prime Minister, said that though this policy might bring South Africa's wrath down on his country, Zimbabwe would survive.

In an interview with a journalist from the South African Argus group of newspapers who questioned him on the tension between the two countries, Mr Mugabe said: "If South Africa decided to topple us, we could suffer. But we would get through the suffering."

Zimbabwe's support for nationalist movements such as Swapo is becoming an increasingly contentious regional issue. Mr P. W. Botha, the South African Prime Minister, was reported in Salisbury today as saying that countries which harboured enemies of South Africa would eventually be hurt.

Mr Mugabe said that Zimbabwe was entitled to provide nationalist movements with facilities to pursue their political objectives, and was expected to do so by the Organization of African Unity, but that it would not allow them to establish military bases.

We have stuck to this and South Africa should be the first to recognize that, particularly as it was itself training Zimbabwean nationalists for action north of the Limpopo.

Mr Mugabe gave no indication that the African National Congress would be allowed to open an office in Salisbury but said that Swapo made a request for an office, it would be considered.

Hinting that Zimbabwe was in a position to take economic reprisals against hostile South African action, he said: "There are investments here which belong to South Africa. If it is a rough game, it will be rough all the way through," but he hoped it would not come to that.

Earlier, during a week-long visit by Mr Sam Nujoma, the Swapo President, Mr Mugabe said that in addition to political and moral support, Zimbabwe was giving Swapo military assistance in the form of money channelled through the OAU Liberation Committee.

Mr Nujoma left for Zambia yesterday having addressed a series of rallies throughout Zimbabwe which were well attended.

The visit, which also raised money for Swapo's cause, has been a morale-booster for the organization, which has suffered severe losses over the past year in the Namibia war.

Peaceful start to school boycott

Cape Town, June 9.—Pupils boycotted classes at several Coloured (mixed race) schools in Cape Town and Johannesburg today but police said the situation was quiet.

The boycotts were called by Coloured student representatives meeting in Cape Town at the weekend to demand an end to police brutality and call for the reinstatement of thousands of pupils expelled after widespread student unrest last year in which 40 people died.

Last year's protests centred on inequalities in the country's racially divided school system.

In Johannesburg, scene of two days of clashes with police last week, pupils at several schools refused to enter their classrooms today. One school in Johannesburg and a number in Cape Town reported a complete boycott. Others said attendance was between 50 and 60 per cent.

The latest student protest preceded by a week the fifth anniversary of the widespread violence in black townships sparked by an education protest in Soweto in which hundreds died.

Mid-year examinations at a number of secondary schools in the area north of Cape Town, scheduled for Monday and Tuesday, have been postponed.

Last night, 2,000 students at the Coloured University of the Western Cape voted to boycott lectures for the rest of the week in protest against police brutality during last week's Johannesburg unrest.

School principals in the Cape Peninsula were yesterday summoned to a meeting with Mr A. J. Arenson, the Coloured Education Director, to be informed of measures being planned to counter the boycotts.

Each school said that among the measures contemplated were the expulsion of pupils guilty of misbehaviour and the closure of schools if the situation became uncontrollable.

They were advised not to schedule examinations for days, but they were also warned that teachers could be sent home without pay if their schools were closed.

One principal said the pay threat had been received with widespread discontent by the teachers at the meeting. Another said that the boycott was a threat to the school's survival.

IN BRIEF

Test-tube twin suffers setback

Melbourne, June 9.—One of world's first test-tube twins, born on Saturday, is suffering from severe inflammation of the bowels and is in a serious but stable condition.

Stephen Mays, who was born with a heart defect, has been put on intravenous feeding.

Swiss arrest Moro suspect

Berne, June 9.—Swiss police have arrested a man, identified as Vito, an Italian, in connexion with the killing of Signor Aldo Moro, the former Italian Prime Minister, the former Italian Prime Minister.

The Swiss Justice Ministry said that Signor Vito was arrested on Sunday in Lucerne.

Billie-Jean letters

Los Angeles, June 9.—The 100 letters that Billie Jean King, the American tennis player, is alleged to have written to her former lover, Marilyn Barnett, will not be published under an agreement that lawyers for the two women have filed in court.

Italian disruptions

Milan, June 9.—A six-hour strike of Italian air traffic controllers disrupted domestic flights throughout the country.

Bus accident

Dar es Salaam, June 9.—Eleven people were killed and 12 were injured when a bus carrying 50 passengers collided head-on with another vehicle in northern Tanzania.

Funeral tragedy

Lagos, June 9.—Four students, three of them women, were electrocuted when police tried to break up a funeral march in the Nigerian city of Ife. One of the women fell on a live wire while fleeing from the police and the other three students died trying to rescue her.

Arab shot dead

Beirut, June 9.—Saleh Hadi Dast, an officer of the Arab Liberation Front, a pro-Iraqi faction of the Palestinian Liberation Organization, was shot dead in Beirut today.

Rail strike ends

Lisbon, June 9.—Portuguese engine drivers have ended a nine-day strike that threatened to close doors of industries around the country.

Malaysian leader

Kuala Lumpur, June 9.—Datuk Seri Mahatma Mohamad, the Deputy Prime Minister, will succeed Datuk Hussein Onn as Prime Minister, sources said today.

Terrorist killed

Istanbul, June 9.—Security agents have shot and killed Tamer Arda, one of Turkey's most wanted leftist terrorists. He had been held responsible for the killing of five Americans in Istanbul in 1979.

Satellite burns

Delhi, June 9.—India's second earth satellite burnt up in space without completing its mission, the Indian Space Research Organisation said. A similar satellite launched last July is still in orbit.

Bonn hopes for accord with Japan

From Patricia Clough, Bonn, June 9

Mr Zenko Suzuki, the Japanese Prime Minister, arrives in Hamburg tonight on the first stage of his mission to improve Japan's political relations with Europe.

In his talks with Herr Helmut Schmidt, the Chancellor, and Herr Hans-Dietrich Genscher, the Foreign Minister, he and Mr Sunao Sonoda, his Foreign Minister, can expect a sympathetic hearing.

Both countries are economic giants who have come to play an important role in Western affairs. Both are deeply concerned about world security and disarmament, and prevented, because of their wartime past, from taking part in Western overseas military operations.

East-West relations, security and safeguarding the West's oil supplies will be the main topics of official sources said.

The Japanese, it is thought here, could share West Germany's chosen role of helping non-aligned Third World countries threatened by Soviet expansionism.

The world economic summit in Ottawa in July will also be an important theme and the Japanese can expect West German support for the principle of free trade. But they are also likely to learn that Japan's closer ties with Europe will not be improved psychologically if West Germany is flooded with Japanese cars diverted because of the United States ban on entry.

Solidarity explain to their British colleagues why they go on strike

By Paul Routledge, Labour Editor

Leaders of the Polish Solidarity trade union organisation were given a standing ovation by Britain's third largest union yesterday, after pledging "no going back" in their struggle with the communist authorities.

In the first face-to-face contact between Solidarity officials and the organized rank and file of the Labour movement, the Poles won universal applause from delegates to the policy-making conference of the General and Municipal Workers' Union.

Mr Bronislaw Stasiwinski, a regional chairman of Solidarity, praised the social awareness and internal discipline of Polish workers adding: "The question of strikes in Poland is not haphazard. This is a weapon which we use deliberately."

The strike originally threatened for tomorrow had been called in a region embracing nearly one million workers. "Why do we do this?" he went on.

"Imagine that here into this hall now arrive a large force of policemen, and here in the presence of you all beats into senselessness your general secretary David Bassett and the members of your presidium and you take them unconscious to hospitals."

"And that after two months of investigations and negotiations your Government announces that it was a minor incident and that looking for persons responsible for it will be some kind of witch-hunt. Would your union accept such an answer? Could your union believe that it will be able to carry on with its normal union activities?"

To a chorus of "no", Mr Stasiwinski went on: "As we are right in taking strike action? Are we right in demanding safety for our union's leaders and members?"

Receiving a standing ovation he said: "Thank you very much. I see you understand."

Turning to the threat of Soviet invasion, the Solidarity leader said: "We are fully aware that this is a matter concerning not only Solidarity alone."

"We have been making every effort to convince the authorities that all other interested parties that a health development of a truly free trade union movement may only serve the development of our country and that it will constitute a guarantee of stability—and through stability a guarantee of peace for all whose fortunes are joined with our fortunes."

He went on: "We believe that we will achieve this goal because from the road to justice and dignity, the road which was consciously chosen by our union will not turn back."

Warsaw Pact forces plan more exercises in Poland

From Frederick Bonham, Brussels, June 9

Reports of Warsaw Pact military exercises being planned in Poland, involving ground forces from the Soviet Union and possibly also from East Germany and Czechoslovakia, are not at present having great repercussions in the military organization of NATO.

Senior military officers of the alliance say that although no such exercises have been notified—only those involving more than 25,000 troops would fall in this category—they would not represent a break with a familiar pattern if they were to occur now. Nevertheless, the officers point out that the communications network set up during exercises earlier in the year has not been dismantled.

The size of forces involved in a possible military invasion of Poland would be such that, according to the officers, they could not be kept secret. Supreme Headquarters Allied Powers in Europe would thus not be taken by surprise.

The officers state that, considering the pattern of previous military interventions, military moves on a considerable scale would have to take place as it is not only a question of moving the invading forces to concentration areas. They would be followed by other similarly sized formations—possibly from deep inside the Soviet Union—to replace them in their previous positions in order to maintain their military posture towards NATO.

Although it has been made clear that the alliance cannot and would not undertake any

direct military intervention, it is stated here that certain precautionary measures such as the redeployment of reconnaissance forces near the East German border and the upgrading of air defence operations would have to be taken.

This would be done partly to maintain the necessary security but also to demonstrate the seriousness with which the alliance views such military moves by the Warsaw Pact.

□ Moscow: A Soviet trade union newspaper today accused Solidarity, the independent Polish trade union, of holding a pistol to the heads of the Polish workers by constantly threatening to strike. (Michael Binyon writes from Moscow.)

An article in *Trud*, criticizing the visit last month by Mr Lech Walesa and fellow Solidarity leaders to Poland, said the ruinous economic consequences of strikes in Poland were well known. It did not mention the union's latest threat to call a strike if the investigations of police violence against Solidarity members in Bydgoszcz in March were not punished.

The paper accused the union leaders of "aiming more and more overtly political" and were aimed at dismantling the communist system in Poland. It particularly criticized Solidarity's praise for the Japanese economic system and requests for help for Poland from politicians and trade unions in capitalist countries.

"Only the Government of the Polish People's Republic which expresses the will of the country and the government has the legitimate right to apply for help with a view to overcoming the present difficulties," *Trud* said.

Progress at security conference

From Richard Wigg, Madrid, June 9

The European Security Review conference, although working in the shadow of Poland, is slowly making progress towards a final document after weeks of work, Western diplomats said here today.

The conference, originally scheduled to end last March, could now conclude late next month, the diplomats said. One point of contention was the date for ending their work could even be before the Polish Communist Party holds its congress which is due to open on July 14. In Western eyes those elements in the Soviet leadership would thus have something to show for détente and have their hand strengthened against the hardliners.

On two key chapters of the final document, human rights and a disarmament conference, patience and stubbornness in the conference's progress have produced movement which, diplomats say, has now become discernible.

While giving on some points of language, the Russians are not willing to concede the preamble to the human rights chapter which, in Western eyes, would still permit them to say any new obligations must remain always at the discretion of national government.

On a disarmament conference, with further confidence building measures as a first stage, the West appears to be coming closer to conceding itself with a Soviet agreement already obtained in principle on the criteria for verifiability. But it would be left to the disarmament conference itself to decide the details of how to achieve this in practice. The whole question of the geographical zone in which the confidence building measures would apply has still to be settled, however.

US women become more equal

The United States Supreme Court has made a significant new ruling which should broaden the existing rights of women to equal pay with men.

By a five to four majority, the court agreed that women working in a prison in Oregon should be allowed to sue for better pay on sex discrimination grounds because they were paid less than male guards, even though their jobs were somewhat different. Earlier court rulings have permitted law discrimination suits on wages only when the work has been identical.

The ruling, which was published yesterday, the justices tried to limit the application of the new guideline only to the Oregon case. But women's rights activists claimed that the new ruling will now allow them to challenge a whole range of sex discrimination cases.

The Oregon case arose when four inmates who guarded women prisoners, claimed that they were being paid about \$200 (£100) a month less than the men who were supervising the care of male prisoners.

The women acknowledged, however, that they had less prisoners to guard and their clerical chores were much simpler. A first court hearing decided that the women were not entitled to equal pay, but subsequent appeal court decisions have reversed that preliminary finding.

Joint Caribbean project

President Reagan and President José López Portillo of Mexico ended two days of talks here with an agreement in principle to participate in a long-term development plan for the Caribbean region.

The plan is aimed at strengthening the "political and economic freedom" of the countries there. Details have yet to be worked out and will involve lengthy negotiations at ministerial level.

However, despite this agreement and the generally friendly nature of the talks, it was clear

Ruling near on Canadian constitution

John Best, Ottawa

The Supreme Court of Canada is reported to be getting close to giving its judgment on the legality of the plan of Mr Pierre Trudeau, the Prime Minister, to bring home the constitution from Britain.

Speculation has been growing in recent days that the court will give its ruling next week, possibly Tuesday, but this will be based largely on the fact that the nine judges are known to be working late hours these days.

Also, it was widely predicted

wide jurisdiction in the human rights field, and contend that the federal Government cannot move unilaterally to effect change in this area.

Parliamentary debate on the Government's plan has been suspended until the Supreme Court delivers its decision.

Whichever way the verdict goes, it appears almost certain that the measure will be got through both the Canadian Parliament and the British Parliament in time to achieve patriation by Mr Trudeau's target date of July 1, Canada's birthday.

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CHINESE JERKS

Peking, June 9.—City authorities have decreed that all healthy, bureau-bureaucrats must do half a day's physical labour each month to "keep them in touch with the masses and improve their workstyle," *The People's Daily* said.

Why I back Foot—and Labour MPs' freedom

For most of the past two years and especially during the past six months, the Labour Party has been obsessed with personality at the expense of policies. The argument had to be brought out into the open even at the possibility of a greater crisis, and that is what Michael Foot has now done by challenging Tony Benn to contest the Labour leadership.

By finally revealing what has long been Westminster gossip in private, Michael Foot has moved to resolve the issue that has been sapping our strength. I hope he succeeds. Then we can return to policy-making, which is the stuff and the blood of left-wing politics.

I would be surprised if Michael Foot ever expected Tony Benn to accept his challenge. I think his purpose was deeper and more fundamental to the party's survival. The need to create a genuine policy unity, not a semblance of it, before the next election. Without unity we will not win it. One of my Parliamentary colleagues said recently that he did not want unity because it meant compromise and that was the last thing he wanted.

What happens to the broad church then? A movement that

cannot compromise is a movement without reality, a church so narrow that one could not see it sideways. We owe more to nonconformity than to Calvinism. Theological purity is for the cloisters, not Westminster.

I am not one of those crying "Good riddance" to those who left the Labour Party, however great the temptation. If the Labour Party is seen only for those who toe the line, it will rebound on us, and upon the left more than the right.

Those who left Labour to form the Social Democratic Party did not leave on the strength of their principles, or their intolerance; they left on the ground of their vanity. The left in the party has recent victories; it stayed and fought again and again to achieve finally some of its policy goals.

That is why I can accept that there are those in the Labour Party who believe there are other paths to righteousness, who believe it is not heretical to disagree. The narrower the party becomes, the more strict adherence to every point of policy, the more the concept of the broad church will fade and the more we will be seen to represent the views of a vanishing section of the country.

Joan Lestor, left wing Labour MP and the longest serving member on the party's National Executive after Tony Benn, argues that backing Michael Foot against Bennite sectarianism is fundamental to the party's survival.



The Labour Party has every right to be proud of its record in democratisation and widening of accountability, although we still have to determine our attitudes towards restricting patronage and defining collective responsibility.

But within this process there is no room for intimidation and no room for those who demand that MPs should become mere spokesmen—marionettes—as Michael Foot describes them for the party's views. Or that the party simply becomes leg-

ions of followers. Ideally, reselection should strengthen the bonds between MPs and their constituency parties, not weaken the individuality of MPs.

We should be seeking ways for MPs and their local parties to work together to bring about the fundamental changes already agreed by the party conference. They should exert pressure on the establishment, not on the individual.

When I first joined the Labour Party, more than 25 years ago, we were fighting for

the policies which are now accepted by the party conference.

We campaigned against nuclear weapons and, later, entry into the Common Market. Michael Foot was at the centre of those campaigns. No one then dreamed he would one day be party leader. Expulsion seemed most likely.

Cynics cannot say his accession is because he has moved to the right. It is the party that has changed, and I for one rejoice in that. I can understand Michael's resentment at suggestions that he is part of a collective sellout of party principles.

The movement as a whole recognises its victories. That is why Michael is unchallengeable, elected by the party, not by essential beliefs in liberty and democracy make him the only person at present who can unite the party on radical, left-wing policies.

To implement those policies we must first oust this Government. That is the most important item on our agenda. But we have to win the election on our own account, not hope for it to fall into our laps in reaction against Mrs Thatcher.

We have all disagreed at one time or another with party conference decisions. I recall my horror when the conference

endorsed what I considered racist, the 1956 Commonwealth Immigration Act. I voted and campaigned against that Act long after conference had supported it.

No one put the finger on me. Those of us who opposed that measure had our views respected. So why are my colleagues disagreeing with the decisions taken at the Wembley conference? That is their right. I am prepared to accept the decision but they have every right to try to change it.

The test of any democracy is how it copes with disagreement. Intolerance shadowed us in the past, but it has no place in my socialist philosophy.

Many of those now saying that the Wembley decision was a mistake were pledged to fight and fight again if the decisions had not gone their way. The depth of one's emotions is not a reason for changing the argument.

All the elected representatives of the party should stand by decisions collectively arrived at by the conference. That is our maxim. But within that approach there must be room for individual views to be expressed and expounded. Today's heresy is tomorrow's orthodoxy. Otherwise no progress would ever take place.

Henry Fairlie

A popular President, but does he have any clothes?

At a meeting in Denver last week of local leaders of the Democratic Party from all over the country, one broke into a desultory discussion and asked desultoryly to start debating the party's real problems, among them the fact that the United States now has a popular Republican president. She came from North Dakota, which last year voted for Mr Reagan.

His popularity at the moment is hardly to be denied. He is, quite simply, liked. He seems comfortable in the office. People seem comfortable that he is there. He receives ceremonial presents pleasantly. He is light-hearted, making little jokes, while his predecessor was earnest. If he appeals to public spirit, it is in traditional terms which people do not feel they must take personally.

He quotes a Chinese philosopher, Sun Tzu, to the cadets at West Point with whom he is signing autographs. He has read him. President Carter might have claimed not only to have speed-read him, but to have done so with Mrs Carter on their honeymoon. Mr Carter never read him. It is no wonder they find Mr Reagan so amiable.

Also he has been shot and then recovered, whereas the President of Bangladesh was shot and died. It may not be actually said from pulpits that he was miraculously saved for his people, but one conservative columnist has not hesitated to write of his "imperishable grace". Mr Reagan once dined at the columnist's house; perhaps the columnist's grace, one churlish soul has suggested, was one which he offered before the meal.

Mr Reagan now turns his age to his advantage, as when he told the cadets that he began his military career in the cavalry, quickly adding that it was then the horse cavalry. It is this gentility which enables many commentators to say he is making the country feel good about itself, a view which was questioned in this column last week and can also be questioned from another point of view.

It is curious how little is said or written about what difference President Reagan's shooting has made. The question "What does he do?" is not frivolous. We know little by which to judge the character of his presidency and so what we may expect of it in future. On security grounds alone it is hard to think of him as a man who will limit his activities and appearances to prearranged occasions when he can be seen at his best.

His presidential acts which are reported are few and confined to decisive interventions in international policy which are made to appear so—such as winning over senators and congressmen to support his economic programme. That might be to the good; meddling presidents are not necessarily good presidents. But we have grounds to wonder how much he anticipates events and initiates actions.

He apparently arrives at the Oval Office at 9 am and leaves at noon, usually not to return for the rest of the day. That does not mean he is out of town all the time. But every one knows it is harder for a president in his private quarters than in his public life. They do not like bothering him in the afternoons.

The day of the "appalling task" inscription was his last meeting. I had a pre-birthday present, and put the small red box on his desk. "Snap", he said, musing it with a small green pen. "I knew what they cost, because his accounts, like everything else, had been thrown wide open. But they were worth more than that."

meeting with him has been held much less often since the shooting.

All of this may not be important. As is often said, he has always delegated. Favourable observers call it his laid-back California style. But what it must surely mean is that the formative years of the presidency will soon be five months since his inauguration habits and hierarchies are being established which must determine its lasting character in response to a president who relaxes a lot.

Two weeks ago it was discovered that no ambassador appointed by Mr Reagan was in place, except for career officers, and that no nomination had been sent to the Senate for 52 vacant judgeships in the US Court of Appeals and the federal district courts. The first nomination for a US attorney was sent only a fortnight ago.

The slowness in filling even crucial positions throughout the Administration is almost a joke. Three critically important divisions in the Justice Department—tax, civil and criminal—still have no assistant attorneys general. It is hard in the end to trace this dilatoriness to a President who is reducing his role in a minimum of initiative and decision.

It is hard also not to trace to the same source the slowness in formulating policies in any field except the Budget. Even in defence—where the Administration appears to speak clearly and strongly—no one really knows what it intends to do. It is promising the Defence Department almost as much money as it wants—more than it can possibly spend to good advantage, say many experts—but there is no sense of strategy or preparation for its tactical execution.

Foreign policy is still undefined even in some key areas. But it is perhaps in international economic policy that the absence of policy is most obvious and most criticised abroad. President Reagan has twice prevented Mr Secretary of the Treasury, Mr Donald Regan, from attending vital international meetings on economic policy. It is presumed with some alarm that this is a preface to an American undermining of existing international arrangements and institutions.

Perhaps the Administration knows what it is doing, or rather, knows why it is doing so little in so many areas. Perhaps it is being sensible, and just not being impetuous. But it is hard after five months not to begin to wonder how the President sees his own job.

Before the election, a British observer wrote in the *Washington Post* that if he had a vote in this country, the best reason for supporting Mr Reagan was that he liked sleeping. He did not wish or expect his advice to be literally and seriously followed.

The Duchess, fourth wife of the seventh Duke, who inherited her title from her father, Lord Alton, has been a considerable help in his researches. Weidenfeld will not say what her complaint against the book is but I believe she has taken exception to passages which refer to an anonymous letter on House of Lords notepaper which came to Estorick's way.

The letter makes the preposterous and mischievous claim that the Duchess, knowing the American's claim to be true, accepted money for her silence.

Estorick, 30, told me: "I relate this aspect in the book and make it clear that it is nonsense. I attach no credence to it whatsoever. The Duchess was competitive through All I can say now is that I find her reaction surprising."

The 61-year-old Duchess, who lives alone in a small flat in Chelsea, refused to comment.

King's cup
The knotty problem of what to serve the non-alcoholic King Khalid and his attendants while his English hosts at Chateau de Versailles are being solved after a burst of diplomatic activity. At most of the six banquets and luncheons the King will attend he will be offered a delicious cocktail of taban and water—that is, watered-down yoghurt.

Peter Watson

The private Prince I came to know rather well

Prince Philip is 60 today. This tribute is by Basil Boothroyd, who wrote the official biography marking the Prince's 50th birthday.



When the book was finished he wrote in my copy: "Discharged with full remission for considerate behaviour after two years' hard labour. With gratitude for taking on this appalling task. Philip, 1971."

Perhaps I never got right inside him. There is a private core. But I penetrated the outer crust far enough to see what Michael Parker meant when he told me: "No one has a kinder heart, or takes more trouble to conceal it." His correspondence, which I waded through by the hundredweight, confirmed this. Letters from nobodies, which you and I, in our busy and lordly way, might drop in the waste bin, were read, thought about and answered. "I don't see how I can help without more information. Let me know if..."

I mentioned this once. "But it's important to remember," he said, "that there's often another side." In his early days he had sometimes worked up a complete indifference to the public image. I don't know if he ever found the writer had no just cause.

Writing about him would have been an appalling task if he had shown me the impatience, the brusqueness, even coldness, that somehow still clings to the public image. I caught glimpses of these things, but seldom, and never directed against me. Well, it had been his idea that I should do the book. Not that he wanted a book. But there was bound to be one. It is his birthday, and genuine biographers had long been skimming.

Then I wrote something about him elsewhere that may have appealed by its lack of stench. I think he felt that an expanded work from the same typewriter might go lightly on the bowing and scraping.

He is not mad about bows and scrapes; sees himself as a man first, a prince second. But that does not mean it is advisable to drop the reasonable observances. Too chummy, and a chill could fall. I called him

"Sir", and he did not call me anything. In conversation, that is. His letters, breezing in from all over the world and usually handwritten, were at first formal. Then he started one: "Dear Basil (if I may, and it's easier to spell) and so continued."

Royalty has the talent, indeed or developed, of making you feel a friend. You come to your senses, but at the time, you are prepared to believe it. When the Queen, seemingly unceremoniously hovering over us, said, "I feel we should, often be taking tea together. Somehow we never have."

Prince Philip has the same easiness, though perhaps perhaps shorter distances. My trouble was that he is too bright, too quick, knows too much in my areas of ignorance, loves an argument (which I hate). Can be intolerant of silly questions. "No, that's rubbish." And then back-pedal to patch the breach. "No, but what you're saying, you see, in a sense..."

He is not mad about bows and scrapes; sees himself as a man first, a prince second.

Some plan of his. I forget what, but the authorities would not look at it, struck me as so unfeasible that I said, "Why would they?" "Because," they're insane, that's why. It is a view, he can take, usually with resignation, often with a philosophical laugh.

He jolted my ignorance in varied fields. "You don't know Dan McGrew?" And rendered several stanzas. He was flying me over Mexico, and I was up front, watching him at the controls. "That's Maya country," he went on with barely a break,

looking down on the inhospitable brown hills. Maya country? I should have been up more.

But time had been short. To see him fly was something I wanted, but had thought in terms of a quick trip from Luton to Southend. "Well, come to Mexico," he said. He was going on Wednesday. We rolled in a Rolls to Heathrow, no roads feared, because he hates that. Take-off to the second. He loves that, and was pleased with the Orava (I think) headline, Philip Files in on the Dot.

We were strolling along the beach in Florida, outside some sort of VEF. Moments at Patrick Air Force Base, having lodged the night there for an imminent tour of Cape Canaveral, and he did not care for an armed escort. Strolling warily behind.

"They just don't want you shot, sir." A snort. "If I hadn't been for all the security, Kennedy wouldn't have been shot." I never worked that one out.

But that was later. Andover's Queen's Flight being strictly shorted, jobs that have to "keep stopping for petrol, it took us five days to

Mexico City. According to my geography we should have begun by crossing the Atlantic. We made off in the wrong direction, but I did not say anything. Fuelled at Stavros, Kellavik ("You have to come in here with one wing scraping the rock," my pilot said), and Sandstrom, Greenland, for the first night stop.

To come, Goose, Ottawa, Florida, Yukon, and May's country. We should part in Mexico. He would be trundling on to Santa Barbara, Vancouver, Fiji, Tonga, New Zealand, Australia (official, from Vancouver joining the Queen).

The NASA men, besides strolling proud moon rocks and whispering us to the dizzy peak of Apollo 13 awaiting launch, and, tacitly restraining him from climbing into the de-geared capsule (but he was in a state of mind to mount a great show of films, slides, lectures on the bewildering of space, they did not bewilder him).

Some lectures, less than concise, their sentences finished for them. They could answer most of his questions: "But supposing there's a telemetry failure... What's the burning sequence... Aren't the

HP frequencies pre-selected... Is it a passive dish? I had been with him to something different, a drug-addiction rehabilitation centre. The questions were equally on the ball, though the first, I remember, on the presentation of a pale inmate, was easy and direct: "How did you get hooked?"

They gave us an informal dinner for six at Patrick, wide-ranging talk, top space brass. Suddenly a general about up and proposed the health of the Queen, with a well-rehearsed list of her titles and dignities. Starting. An expectant pause for the guest of honour's response.

"Well, thanks very much," he said. "Go on with your very saying about continental drift."

He jolted my ignorance in varied fields. "You mean you don't know The Shooting of Dan McGrew?"

He had been the focal point of a bigger and more elaborate dinner, Sandstrom, staged by the Danes and Americans based there to look after the DEV line. It began at 2.45 am by our London stomachs.

He was buoyant, made the best speech of the evening, when once I gaped at his rushing life and he said: "There are compensations."

He came into my adjoining room, laughing, while I was still fumbling for the right end of my pyjamas. The no smoking notice over his bed had a warning, "Violators will be prosecuted." I had had one, too. I had, but was too tired to have isolated the double entendre.

He had also brought me the draft of an article for some Council of Europe publication. "What I look over," he had written it (after nine hours' flying). In the short interval before dinner, which might otherwise have been wasted. The energy is numbing. Seen at close quarters it drains one's own way day in the Andover I returned the draft with some diffident amendments. He adopted them with thanks.

This was back in the cabin. He plus, so, out as it is interesting—talkative, powerful, tricky weather. Just to sit up front with nothing to do is boring. That is what his RAF co-pilot is for. So we talked of everything under the sun. Or

he did. Including the sun; which eventually would fail to pierce the pollution, and that would be the end of the world. His mind darts about. Quite a tirade against form-filling and petty officialdom, youth was right to want to change things...

It was nonsense to say we kept royal ceremonial because the tourists like it. We should keep it because we liked it. Tower blocks; human happiness, the motor car, Richard Nixon, the blue whale, mental deficiency, the melting of the ice-cap.

Did I know (opening a bottle) that true Liebfraumilch should be spelt Liebfraunmilch, and came only from the vineyard slopes around Cologne cathedral?

My eyes may have closed. "How about a stretch-out?" Getting up to lower some sort of bed for me from the cabin wall.

He does not stretch out much. Or did not then. Now, 10 years on? I should not think so. There are only so many minutes in an hour, a year, a life. They demand full employment.

Too much of this, perhaps, about the Mexico trip. It is just that, despite red carpets and motorcades at all arrivals, he was in effect off duty. In the air they can't get at you. Well, I did. But that had been his whole idea. I found out more about him, though never all, than in any of the routine interviews. But there was a typical Q and A at our first. Would he want to see what I had written, when I had written it? "Only if it will help you."

One advantage of royalty, it only has to stand up and the party's over

The draft came back heavily interleaved with handwritten notes. And quickly. How had he found this time? "What makes you think I'm biased over politicians? Any evidence?" "Please don't say I went off fly when the Met men are against it. Oddly enough I'm concerned for my own neck." "Steady! The Variety Club got Stinara. I just went."

"I don't think it's accurate to say Charles has more ponies than I have." "Why are you against nannies?"

The day of the "appalling task" inscription was his last meeting. I had a pre-birthday present, and put the small red box on his desk. "Snap", he said, musing it with a small green pen. "I knew what they cost, because his accounts, like everything else, had been thrown wide open. But they were worth more than that."

But I have always found them useful besides hints to guests who have overstayed their welcome. I have readers have other, more ingenious ways, of achieving the same end.

Niet to vox pop
Time Machine, the USSR's most daring and most popular group, has been officially banned from Soviet radio and television after sailing too close to the wind.

Soviet radio sources say that one of the group's latest numbers proved too amiable for the political censors and gave the radio the pretext it wanted to ban from the air a group which the establishment has long thought too western in style and sentiment.

The song was "We are shouting Solidarity. Britain We are this could also mean We are members of Solidarity. What makes it worse is that the group's leader, Andrei Makarevich, is of Polish origin.

Irish question
A genealogical investigation into Ireland's premier dukedom by writer Michael Estorick has landed him in legal trouble with the Dowager Duchess of Leinster and led to a severe attack of nerves at Weidenfeld & Nicolson.

The Dowager, widow of the seventh Duke, claims she has been labelled by Estorick and is threatening to take out an injunction to prevent publication of his book *Heirs and Graces*. Weidenfeld have temporarily withdrawn the book while solicitors examine the Duchess's claims.

Estorick's slim volume examines the bizarre and well-known claim of an American handmaster's son

to the dukedom. The claim was made by Tyler to his bewildered family in 1967 when he was 80, 45 years after the death of Maurice FitzGerald, sixth Duke of Leinster at the age of 35.

The Duchess, fourth wife of the seventh Duke, who inherited her title from her father, Lord Alton, has been a considerable help in his researches. Weidenfeld will not say what her complaint against the book is but I believe she has taken exception to passages which refer to an anonymous letter on House of Lords notepaper which came to Estorick's way.

The letter makes the preposterous and mischievous claim that the Duchess, knowing the American's claim to be true, accepted money for her silence.

Estorick, 30, told me: "I relate this aspect in the book and make it clear that it is nonsense. I attach no credence to it whatsoever. The Duchess was competitive through All I can say now is that I find her reaction surprising."

The 61-year-old Duchess, who lives alone in a small flat in Chelsea, refused to comment.

King's cup
The knotty problem of what to serve the non-alcoholic King Khalid and his attendants while his English hosts at Chateau de Versailles are being solved after a burst of diplomatic activity. At most of the six banquets and luncheons the King will attend he will be offered a delicious cocktail of taban and water—that is, watered-down yoghurt.

Peter Watson

How a Canadian predicted Israel's nuclear raid

The Israeli attack on the Iraqi nuclear reactor has severely injured Robert Hutchinson, a Canadian author who lives near Geneva. For the last two years, Hutchinson, 43, has been researching and writing a novel alleged to be based on the diaries of an Iraqi scientist who worked on their nuclear power programme. The man was accused by the Baghdad authorities of passing information to the Israelis and imprisoned, but, according to Hutchinson, the diaries were written in prison and smuggled out.

The book is described as a "compilation of fact and fiction" but has much technical detail of the development of the Iraqi project, including some real names. For and away the most contentious aspect is Hutchinson's claim that an Iraqi reactor design to incorporate a "rabbit shuttle" around the core for producing plutonium.

By itself, the Iraqi French-installed plant using enriched uranium would not have made enough plutonium for a bomb. But, with the shuttle of easily obtained non-enriched uranium wrapped around it, being bombarded by neutrons, a build-up of plutonium enough to make a bomb would have occurred. Hutchinson refuses to say how he can be so sure the Iraqis actually had this shuttle system but he is known to have many contacts among the French anti-nuclear lobby, which includes some renegade nuclear scientists.

In the novel as it stands, the plot culminates in an Israeli air attack. But by then the Israelis already have three complete bombs stashed out of the way somewhere in the desert. Now, Hutchinson is convinced, Sunday's raid is not the end of the affair and he is starting a re-write. He won't say what the new ending is, except that it is projecting the story into the second half of the decade.

Enter young Ivo

It is not easy to say Ivo Pogorelich (and even more difficult to spell). But, after next Tuesday, it may be a name we all have to come to grips with. The 22-year-old Yugoslav pianist is making his London debut on that day in extremely unusual circumstances—and he is expected to be a smash hit.

When this young man was eliminated in the third round of the prestigious Chopin competition in Warsaw last year because of the unorthodox of his Chopin playing, his hopes of an international career appeared to have all but vanished. However, a storm of protest from the audience and the flamboyant Martha Argerich, a former competition winner, won the young man far more publicity than the contest's eventual champion, whose name we all have to come to grips with. The 22-year-old Yugoslav pianist is making his London debut on that day in extremely unusual circumstances—and he is expected to be a smash hit.

It certainly does not appear to be a flash in the pan. He has been booked by the Berlin Philharmonic Orchestra for its centenary celebra-

THE TIMES DIARY

All civilised people will miss The Listener this week, victim of the pay dispute at BBC Publications. But, if you're a music lover, you're missing more than most. Editor Anthony Howard tells me he has been inundated with telephone calls because of a result of having to produce the magazine single-handed last week, he just did not have the time to include its monthly radio supplement.

Fortune's worry
Bill Ruker is a good candidate for the description of second-most distinguished visitor to London this week. The editor of *Fortune* magazine, the American businessman's bible, has been in town meeting chief executives and trying to work out how the economy is going.

He is a tall elegant man, with swarthy features who might just be mistaken for a member of King Khalid's entourage in western clothes. He is rather optimistic about Britain, feels it is too soon to write off Mrs Thatcher, that businesses are slumping down successfully for the moment in our affairs if and when it comes, and probably reflects accurately the concern of American businessmen when he says he is far more worried

about what will happen in France. According to Ruker, half the top 50 companies in France are American-owned and what happens at next week's elections is crucial. He is taking care to be in Paris for the vote.

We all thought that the vote for Mitterrand was mainly a way to get rid of Giscard. Now it looks as though the French parliament will go socialist as well. Whatever problems we face, socialism sure isn't the answer.

If that sounds uncompromisingly cocky, it could have something to do with the fact that Ruker took over the *Fortune* editorship, and it became a bi-weekly, its circulation has increased by 50,000 to 670,000.

Since Radio Times has reduced its classical music to a single supplement, which is published on the first Thursday of every month, has become the only music guide with the kind of detail liked by the classical buff.

Howard told me yesterday: "I always thought it was rather a waste of time. But how wrong can you be? Would you tell Listener readers through your column that we shall publish the supplement just as soon as we are back on the streets."

Bedside hints
I have a tip for the Duke of Devonshire. Opening the twenty-third Antiquarian Book Fair at the Europa Hotel in Grosvenor Square, yesterday, the Duke said: "At home, my wife runs the house and I have only two jobs—the drinks tray and books."

He is not alone. The essential are short stories by Henry James, short stories by Rudyard Kipling, a thriller by Stenham, and the *Oxford Book of English Verse*.

Fine. But what about if you want to get rid of people? Two of the world's most boring books, *Large Scale Despatch* and *The Geomorphology of Cold Environments*, came my way about ten years ago in circumstances I prefer not to recall.

Should it be more effective if the minister's chauffeurs strike, rather than the Under-Secretaries?



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PORTUGAL

Time to solve problems, not play power games

There are two ways of looking at events in Portugal. One is to concentrate on the country's freedom from the apparently endemic violence and extremism which has plagued post-Franco Spain.

The other is to note the time that it is taking to point Portugal in a clear direction. Illustrated by the present debate on revising a Constitution still only five years old. This document committed the state to an ideologically socialist road that subsequent political experience has made look very dated. The real post-revolutionary shaping of Portugal remains in its infancy.

Perhaps this was inevitable after 48 years of continuous dictatorship, which ended on April 25, 1974.

But while the electorate has shown a commitment to the better box greater than that of almost any other country in the Western world, with parliamentary polls exceeding 85 per cent, before the presidential poll, too many politicians still seem to expend a higher proportion of their energies on power games than the serious economic and social problems facing Portugal.

Ambitions and tensions within the ruling right-of-centre Democratic Alliance are more evident than any threat from the Opposition. Against this, Senhor Francisco Pinto Balsemão heads a government with a majority of nine, a healthy cushion by Portuguese standards.

Portugal has a mixture of presidential and parliamentary government. The President is no mere figurehead. He is vested with significant powers which this Government has said it wants to curtail. When, as happened last December, General António Ramalho Eanes convincingly defeated the Democratic Alliance's candidate, General António Soares Carneiro, the potential for disagreement is always there. But Senhor Balsemão's relations with the President Eanes are clearly better than would have been the case had Dr Francisco Sa Carneiro lived. Dr Sa Carneiro, then Prime Minister, was killed in an air crash just before the presidential poll. He had threatened that he would not serve under General Eanes.

The lack of a strong challenge from the left is essentially due to the adamant refusal of Dr Mario Soares, the Socialist leader and former Prime Minister, to ally with the Communists. His total disillusionment with the pro-Moscow Portuguese party of Senhor Álvaro Cunhal, turned Dr Soares away from any idea of a pact long before such thinking gained ground in Portugal.

Although the Communists attracted only 16.7 per cent of the total vote in the 1980 elections it would be premature to write them off as a political force. They are well organized, and strong to the south and east of Lisbon, where their support has been steady.

But the Portuguese Socialists have a problem. Their support has shown a little dynamism. In the most recent Assembly of the Republic (Parliament) elections last October, the party and its two small allies won 28 per cent of the total vote. Under the Portuguese system, the Socialists would need to increase this percentage by half if they were to form a government without going into coalition.

The 1980 poll showed a slight improvement on that in the previous year, but in the Constituent Assembly elections of 1975 the Socialists took 37.87 per cent, and 34.07 per cent in the Parliamentary contest of 1976. The Socialists' argument is that they paid the price of introducing stringent economic policies.

Wages were held down and the balance of payments almost brought into equilibrium in 1979. This bout of austerity was supposed to produce the right conditions for success in a 1980 campaign. Unfortunately for Dr Soares, President Eanes dismissed him in 1979.

Observers inside and outside the party think it extremely unlikely that the Socialists could lift their support more than 40 per cent by 1984, when, barring unforeseen circumstances, the next election is due.

The Democratic Alliance, which embraces the Social Democrats and the smaller Centre Democrat and Monarchist parties, won 47.10 per cent of the vote last year, an improvement of just over 4 per cent on 1979. The alliance would, therefore, have to split to allow the Socialists back into power.

But first, things would have to go seriously wrong inside the alliance, certainly much more than any discontent detected so far. Senhor Balsemão is well liked, even by opponents and considered tolerant, but he is criticized for lacking an assertive style of leadership. The contrast with the dynamic, impatient Dr Sa Carneiro is marked.

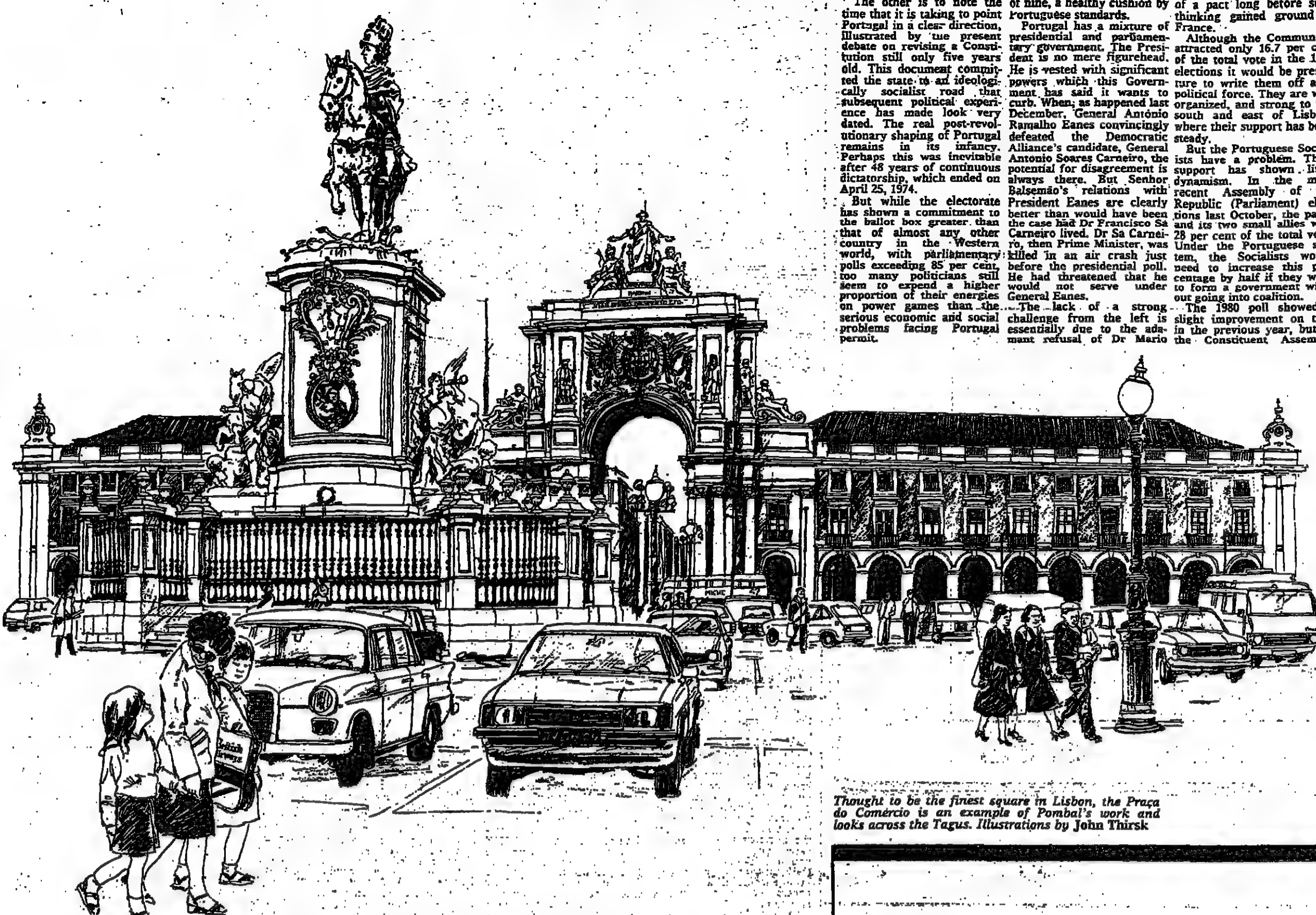
A lawyer and founder of the weekly newspaper *Expresso*, Senhor Balsemão heads a government of men in their thirties and forties. He is much less concerned with any ideology than with modernizing a nation which hopes to join the EEC in 1984, but lies at the foot of the Western European development table.

It can be argued that the quiet Balsemão approach is what Portugal needs after the years of political headiness.

A ministerial colleague described Senhor Balsemão as "a man who wants to have a dialogue". He added: "We want to be pragmatic".

Senhor Balsemão's undramatic, almost self-effacing style has helped to fuel speculation that his leadership may be challenged. The only party leader with personal magnetism is Dr Soares, who is being talked of as a presidential candidate in 1985.

Dr Soares, while speaking of his goal of making the party "the real backbone" of



Thought to be the finest square in Lisbon, the Praça do Comércio is an example of Pombal's work and looks across the Tagus. Illustrations by John Thirsk

continued on page III

Talks on textiles hit a difficult patch

Every political party in Portugal except the Communist wants the country to join the EEC. The present working date for entry is January 1, 1984. This is on the assumption in government circles that a treaty could be signed about the middle of next year.

Political, psychological and social as well as economic reasons are all put forward by politicians and observers in Lisbon.

"Integration with Europe is essentially a political of Portugal to the EEC,"

decision", one Socialist said. He argued that membership would create the framework in which Portuguese democratic institutions could be consolidated. Those who express this commonly-held view say that the refusal of the Community to have non-democratic states as members would be the best deterrent against a coup.

The debate is usually about why Portugal needs Europe. There is much less emphasis on the importance last year, are seen as having recently shown greater flexibility.

Signals from Paris before the change in the French presidency were also interpreted as more encouraging. But the Portuguese are now waiting to see what attitude the new French government would adopt as access for their products. Last year France bought 21 per cent of total Portuguese textile exports.

The textile industry illustrates the vulnerability of Portuguese manufacturing. In spite of the development of shipbuilding, steel and petrochemicals, textiles remain the crucial industry and account for 30 per cent of exports. Should there be post-entry restrictions on such a vital sector, this would increase Portugal's deficit with the rest of the Community.

It is realized in Lisbon that Portugal will have to switch to "better" quality textiles because it cannot compete with Southeast Asian producers, and also to medium and high technology, labour-intensive goods, for example, electronics. But despite the wider spread of industries now emerging, it will take years to transform the whole sector of the economy.

Government and Opposition supporters of entry emphasize that Portugal must not become a net contributor to the EEC. This would happen if the country were not given enough time to alter its pattern of food imports. Portugal is heavily dependent on purchases from outside the EEC, notably of North American wheat, and would therefore find itself financially penalized if it continued to rely so much on non-EEC food sources.

Lisbon has told Brussels that it wants transitional arrangements of from three years for some fiscal adjustments to 10 years for the Common Agricultural Policy, an acceptance that it is fully European.

production, unlike that of Spain, does not pose a threat to southern French growers.

But there are signs of nervousness about the parallel negotiations between the EEC and Spain. The objection in Lisbon is not about joining the Community on the same day as its more powerful neighbour. But there are fears lest any difficulties over Madrid's application, for example on agriculture, should delay Portuguese accession. It is pointed out that Lisbon applied to join four months before the Spaniards, and wants to be treated separately.

A further anxiety expressed to me outside the Lisbon Government, was that such sectors as the developing Portuguese steel industry should not be affected by the running-down of capacity elsewhere in the Community.

The theme of the rejuvenating impact of membership recalls that of British advocates of the EEC a decade ago. "What we really need is a question of foreign investment so much as organization", one means that Portugal has said. He argued that if European standards were applied to Portuguese crop production, agriculture would have to improve.

Statistics underline how much Portugal lags behind the rest of Europe. Per capita gross domestic product is more than \$2,000. Productivity on the land and in industry is much lower than elsewhere, but so are wages. According to a recent analysis pay levels are less than one fifth of those in West Germany and below those in Spain and Greece.

Sharp regional differences are found within Portugal. Infant mortality rates in isolated parts of the north are much higher than the national average, which in turn is exceptionally bad by European standards. It is estimated that 30 per cent of the population is still illiterate. It will take much more than EEC aid to lift Portugal's health, education and communications to the standards prevailing in the rest of Europe.

But attitudes are changing. The shortcomings described above are being criticized by the Portuguese themselves. Psychologically, the days of isolation are over. Freed from African entanglements, Portugal seems to need admission to the Community as an acceptance that it is fully European.

An estimated one million Portuguese citizens work in France and another 400,000 elsewhere in the EEC, mainly in West Germany. They have helped to make their relatives at home aware of the much higher living standards achieved abroad.

With so many Portuguese already working in the Community, and the existing levels of unemployment inside the EEC, it seems unlikely that membership would lead to any dramatic increase in immigration to the richer, northern economies.

Lisbon's concern during negotiations has been to ensure that Portuguese nationals would not be made to return home before accession. France has given a guarantee on this point.

It will seem strange if Portugal fails to join the EEC in view of the degree of coordination already achieved. The country has received 25m units of account in pre-accession aid, and this is being used for roads, schools and hospitals. The gradual dismantling of industrial tariffs since a 1972 agreement with Brussels means that Portugal has increasingly been exposed to outside competition. Membership would not therefore mean a sudden commercial onslaught.

The pattern of foreign investment indicates that firms are looking for bigger markets than the 10 million Portuguese can provide.

While the Portuguese have found the United Kingdom less forthcoming than they had hoped over textiles, the two countries share common views on fishing rights. The preoccupation of the British and West Germans with reforming the Community is also appreciated in Lisbon, as is the fact that the French have long had electoral hopes on their minds.

Possibly the Portuguese Socialist Party's description of the European option as irreversible will turn out to be correct. Perhaps the Democratic Alliance politician who put the emphasis on the EEC wanting Portugal inside as part of a strategy to secure democracy throughout Europe was right, and the country will not be faced with unacceptable economic conditions.

But as another government politician said: "If we fail, the Socialist Party fails. The only party in gain will be the Communists".

Denis Taylor

The London Lisbon link

How we can help the businessman

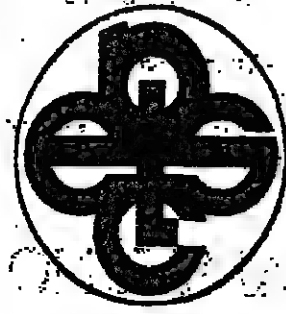
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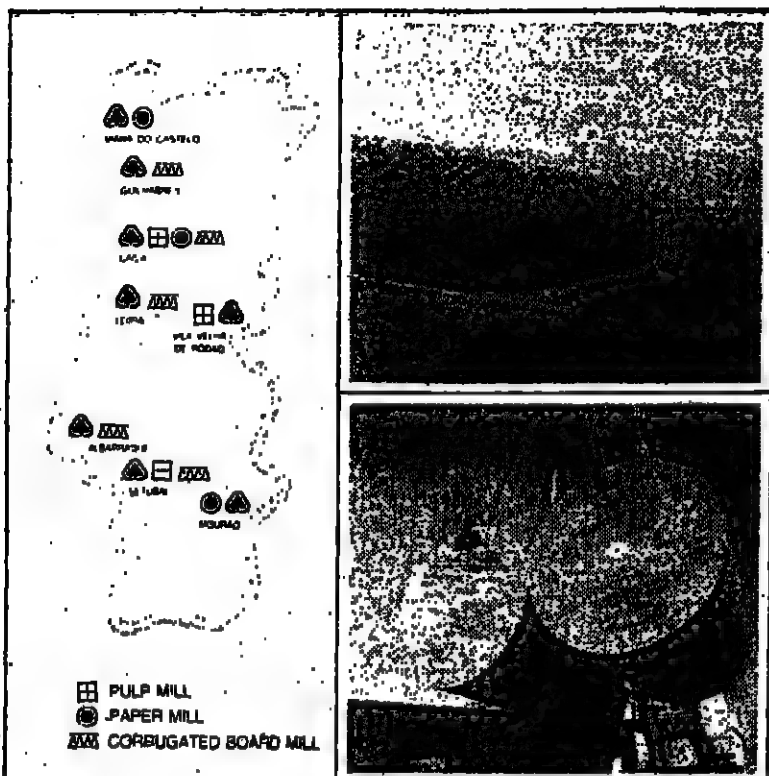
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PORTUGAL

The Alfama is the oldest part of Lisbon and the best preserved — a cobbled labyrinth of narrow alleys with whitewashed or painted façades



Keeping up with Joneses in EEC will swell trade deficit

There is lively debate among top economists over Portugal's large and growing balance of payments deficit, a question likely to dominate the nation's economic situation for the next decade.

Financial experts predict that Portugal's unquenchable desire for economic development, to enable it to catch up with its future partners in the European Economic Community, will bring with it new record levels in the medium term of payments deficit. It was an unprecedented high \$1,500m deficit in 1977 which forced the Socialist Government to carry out a harsh International Monetary Fund (IMF) austerity programme.

Other sources said these credits could be as high as \$1,000m over a three-year period. This is the first time that Portugal has applied to

Finance in the ruling Democratic Alliance coalition, gave warning, recently, that plans to boost the gross national product by 5 per cent a year over the next five years would inevitably mean a balance of payments deficit in excess of \$1,500m.

His predictions are confirmed by Senhor Jacinto Nunes, Governor of the Bank of Portugal (the central bank), who told a newspaper interviewer that a new round of talks with the IMF was under way. Professor Nunes said that preliminary negotiations had started for IMF credits to help to finance the sharply increasing balance of payments deficit.

Other sources said these credits could be as high as \$1,000m over a three-year period. This is the first time that Portugal has applied to

the IMF for aid under its new supplementary facility. A successful negotiation would be a useful endorsement of Portugal's creditworthiness in the international money markets.

Government economists backed by a recent World Bank study believe that with careful management and given the growth-oriented ends of the deficit, Portugal is capable of living with a high balance of payments deficit over the medium term without undue suffering.

Despite this official optimism both Senhor Nunes and Senhor Cavaco e Silva (technocratic central bank allies) are concerned about the growth now gripping Portugal.

Development should not be driven for at any cost, they say. Unrestrained growth (5.6 per cent last year), easier credit and

an uncontrolled pricing policy, are causes of grave concern, according to the two men.

They have called for a prices and incomes policy to avoid overheating the economy and give warning that the drive for growth and its accompanying effects on the balance of payments will make it very difficult, if not impossible, to hold inflation down to the target of 16 per cent level this year. The fight against inflation has been, and remains, a key plank in the Conservative Government's economic programme.

Another aspect worrying Senhor Cavaco e Silva is the high interest payments due to foreign lenders on the accumulated debt of the past four years, which, according to him, will reach the \$1,000m level by 1984.

The alarmist nature of these two important central bank economists is in stark contrast with the relative optimism reigning down the road in the Finance Ministry.

where a young and dynamic team of technocrats talks confidently of both growth and development and controlling the current account deficit.

Earlier this year Senhor Joao Morais Leitao, the Finance Minister, unveiled his 1980 budget and proposals for the country's first five-year medium-term plan.

His main concern is to prepare the way for entry to the European Community scheduled for 1984, and indeed of government philosophy in general is "development".

Portugal is economically the most backward of all Western European countries. In 1980 its per capita income was \$2,020. A third of the population is illiterate. A disproportionate 30 per cent of its labour force is employed on the land but is nevertheless unable to produce enough of the nation's food requirements, 60 per cent of which is imported.

A figure officials admit is a deplorable fact for a fertile country.

In his budget the minister proposed a 5 per cent annual growth in the gross national product (compared with predicted zero growth in the OECD countries next year) and an 8 per cent increase annually in gross fixed capital formation, weighted in favour of private sector investments (through post-revolutionary nationaliza-

tion, the state controls the most vital 30 per cent of the economy, namely such sectors as banking, insurance, steel, cement, oil refining, transport and armament production.)

This emphasis on the private sector is in line with government philosophy to provide ample scope for private initiative and at the same time oblige the public sector to survive without increased government help.

"What we want is a European model for the Portuguese economy", one planner said, meaning a swing away from heavy state intervention and a reduction in government funding of the public sector.

But bold and challenging as the Government's medium-term plan is, it is conditioned by external factors beyond its control.

Heavily dependent upon imported materials and machinery to produce its exports, Portugal will find its trade gap widening as it increases its purchase of such capital goods in the drive for growth.

A contracting world market, still in a severe recession, will make it very difficult for Portugal to expand its exports, which last year dropped to 8 per cent from a high of 23 per cent in 1979.

At the same time the country's two main sources of foreign exchange — tourism and remittances from emigrant workers abroad — are likely to be severely restrained by the continuing recession.

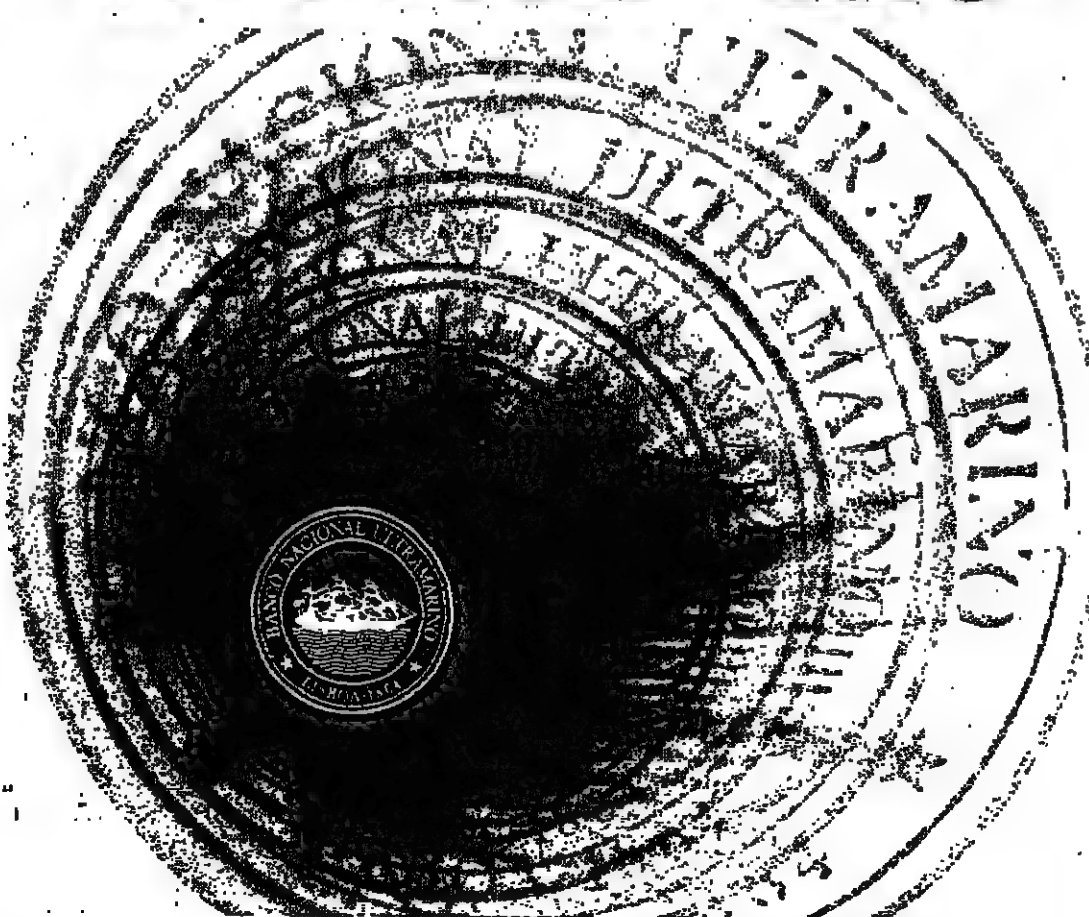
Tourism receipts reached a peak of \$1,000m last year while emigrants sent back a record \$2,200m, neither of which amounts is expected to be exceeded this year.

However, underlying the Government's optimism and its decision to go for growth is a basically sound financial foundation. At the end of last year all except 1 per cent of Portugal's gold reserves of 700 tonnes were free of pledges. And these, valued at \$10,000m, together with about \$4,000m of foreign currency reserves, form a sound basis for securing the credits necessary to ensure the Government's plans succeed.

Portugal has very little choice: there can be no standing still in the face of the EEC challenge. The country has got to develop, and get into debt to do so.

Denis Taylor

Jonathan Fairfax

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BANCO NACIONAL ULTRAMARINO
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towards Spain

The Portuguese tend to be very sensitive about the way the outside world brackets them with Spain, and emphasize the distinctiveness of their own customs and language.

The Portuguese have traditionally looked beyond the peninsula to France for intellectual sustenance, although English has become the first foreign language of the new generation.

But there is no mistaking the degree of anxiety in Lisbon about events across the border.

Dr. Mario Soares, the Socialist leader, said: "If a military regime were established in Spain, it would be a catastrophe. The whole of Europe would be threatened."

Not everyone would put it so apocalyptically, recalling that the Spanish Civil War was the beginning of the World War. But in a fledgling democracy like Portugal, people are bound to lose confidence if the even more recent experiment in Spain would give ideas to extreme right wing elements in Portugal.

The opposite argument is also heard that their record shows there is much less cause for worrying about the Portuguese military and that Spanish democracy will probably weather the present assaults upon it.

Across the political spectrum there is keen interest in the election of M. Francois Mitterrand as President of France. The Socialists are elated that the left has come to power without making common cause with the Communists. This is seen as eventually having immense implications for the southern European tier of Portugal, Spain, Italy and Greece.

Comfort is taken from the speed with which the French Socialists have gained electoral support.

The Government is still waiting to see how French policy will evolve. Lisbon will be particularly interested in any change of emphasis on the EEC, which Portugal is negotiating to join, and on Africa.

Closer relations are developing with the five former Portuguese territories in Africa: Mozambique, Angola, Guinea-Bissau, the Cape Verde Islands and São Tomé and Príncipe.

"Our relations without exception are excellent", Senhor Andre Gonçalves

Pereira, the Portuguese Minister of Foreign Affairs, told me recently in Lisbon.

"But we very seldom work together at the United Nations. We are trying to depoliticize our economic and cultural cooperation", he said. There were 300 Portuguese teachers now working in Angola, "but our purpose is not to interfere in Angola's internal affairs".

He emphasized the importance of the Portuguese language for working in the former territories and said that technicians were now going out to Africa to work. They often have African experience, but they are not drawn from among former settlers, the *retornados*, who have been successfully integrated in Portugal.

Given the ideological differences between Marxist governments like those in Angola and Mozambique and the right of centre administration of Senhor Francisco Pinto Balsemão in Lisbon, it seems realistic for the Portuguese to concentrate on improving relations at a technical level. Nevertheless, developments like the visit to Portugal of Mr. Joaquim Chissano three months ago imply that links will increase

with the former African territories. This was the first high-level contact between the two states since Mozambique's independence.

Lisbon's relations with another Marxist state, Cuba, have been distinctly cool recently. In March, he said, there were 300 Portuguese teachers now working in Angola, "but our purpose is not to interfere in Angola's internal affairs".

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PORTUGAL

Old wine and new opportunities keep a 600-year friendship thriving

British business, which dates back to the eighteenth century, remains alive and well in Portugal. While the competition for exports to Portugal by Britain's European Community associates, Germany and France, and the United States, is officially described as fierce, the United Kingdom is still its old ally's best customer for such Portuguese goods as tinned sardines, tomato paste, textiles, port wine and cork products. Last year that trade added up to £335.1m.

According to an official in the commercial section of the British Embassy in Lisbon, Britain is holding on to its share of a promising export market of 10 million people. That share, generally listed among the top five, amounted in 1980 to £389.85m, representing sales of lorries and other transport equipment, plastics, seed potatoes, chemicals, lubricating oils, and cattle and pigs for breeding.

Although a lot of good will towards us is engendered by Britain's 600-year-old alliance with their country, the Portuguese, quite naturally, take a hard look at everything we have to offer, the official said.

"No preferential consideration is given to British goods just because they are British. Portuguese government people and business men insist on top quality at the best price for anything they buy, from anywhere."

Evidence of the long-standing commercial partnership between the two countries is the British-Portuguese Chamber of Commerce in the capital. Established at the turn of the century, it is still thriving and its members include a number of the 4,500 British-born residents of Portugal.

The port wine trade, which plays an important part in Portugal's economy, fluctuates and is fragile since the 1974 revolution. It is studied with venerable British names such as Croft, Sandeman, Cockburn and Offley. The 800 Britons living in and around Oporto, centre of the trade, are the oldest and most respected foreign community in that misty, northern town that even boasts a cricket club. Some of the residents are descendants of British merchants who came to pick and choose the grape harvests of the rugged Douro valley after the signing of a 1763 trading agreement between England and Portugal.

Still known widely as "the Englishman's wine", port was chosen by the Douro wine often turned sour on its way to England so those early shippers began adding brandy to the casks to stop fermentation and to keep the wine's fruity sweetness.

Thus, glowing, robust port was born and became the "prince of wines" in which the loyal toast to the throne has been drunk for decades at banquets and in officers' messes. The Portuguese shippers continue to look to

their British counterparts to help to maintain the unique quality of port wine, which Walpole, Pitt and Gladstone in turn enjoyed.

It was the British, too, who helped to establish the Portuguese cork trade last century when the Robinsons, the Rankins and the Reys became the "three Rs" of the business. The Robinson company in Porto Alegre is today owned by Portuguese, but the Rankin factory, which was set up in 1884, still exports cork bottle stoppers to customers all over the world. The Reys company, founded earlier, in 1840, is now the Sociedade Nacional Corticeira. It manufactures a variety of cork products, from bulletin boards to beer mats.

At its large factory at Barreira across the Tagus river from Lisbon, it has also been testing cork as an insulator in Portugal's solar energy programme.

Oxford-educated Roderick Reynolds, managing director of SNC, who speaks Portuguese as fluently as any of his workers, said: "Portugal accounts for 52 per cent of the world's cork trade. I'm proud that my family and I have helped to foster and expand it."

Down south in the "garden province" of the Algarve, whose abundant sunshine and sweeping Atlantic beaches attracted seven million international visitors (led by the Spaniards and the British) last year, big companies and wealthy trusts based in the United Kingdom are involved in the region's present building boom. This has been generated by ever-increasing demands on hotel and other accommodation by package tour operators and villa rental companies.

Revenues from mass tourism help to provide many social services in the Algarve. A large removals and storage company established in Sagres for over a century has begun business there. Its customers range from former colonial civil

servants from Africa and India, who "can't stand the English climate" to younger, married couples who have left Britain to start bars or restaurants, market or landscape gardening businesses and other small concerns. In fact, half the British residents in Portugal live in the Algarve, giving rise to the wry Portuguese joke that England may have lost an empire but she has gained a province.

The interests of all the British in Portugal — resi-

dents, business visitors and holidaymakers alike — are looked after by the British consul and his small staff who occupy a first-floor suite of offices overlooking the harbour of bustling Portimão, the Algarve coast's halfway house.

The consul is a courteous, soft-spoken man with the air and complexion of an English gentleman farmer. He is, however, a distinguished Portuguese. Senhor José Manuel Teixeira Gomes Pearce de Azevedo, whose

maternal grandfather was for 13 years, from 1910, Portugal's first republican ambassador to the Court of St. James's.

Senhor Azevedo, who was himself once a businessman in his father's shipping firm, warmly acknowledges Portugal's debt to Britain in various sectors of trade and development.

"I'm a man of two worlds," he chuckles, "and I support and encourage both of them."

Eric Robins



Taking a sample in the Sandeman wine lodge on the Vila Nova de Gaia, Oporto

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B. Sitting outside a beach café eating freshly grilled sardines with homemade country bread, and drinking red wine from the wood, while the sun slowly sets over the ocean. For only £1.00 a head.

C. A fixed-price menu in a small continental roadside café: £4.00 a head with service.

2 WHICH OF THESE HOTELS WOULD YOU MOST LIKE TO STAY IN?

A. The *Pousada dos Lóios*, a 15th century converted monastery for around £16.00 a night, including breakfast and a lavish dinner in the cloisters.

B. The *Estalagem da Torre Mouchão*, a charming inn on the outskirts of Lisbon and overlooking the sea, for around £12.00 including breakfast.

C. A modern tower block hotel overlooking the station. Half board and half built for £15.00 a night.

3 WHEN IT COMES TO SOUVENIRS WOULD YOU RATHER HAVE?

A. A colourful, hand-embroidered peasant's shawl for under £4.

B. A pair of the finest, hand made leather shoes for £15. Or a pair of elegant women's boots for only £25.

C. A plastic replica of the Statue of Liberty.

4 WHAT IS YOUR IDEAL BEACH?

A. One that you discovered yourself.

B. One that was recommended by a local over a beer.

C. Where have all the people gone.

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B. Stop wherever you fancy and know you'll always find something amazing to see, do or eat.

C. Burn up gallons of petrol speeding along an autobahn.

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PORTUGAL

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Power and pragmatism

continued from page 1

Portuguese democracy, declined to look so far ahead. He told me that his main objective was to win back the 10 per cent of voters who had defected from the Socialists since the peak of their popularity, and to concentrate on trying to do this in the local elections next year. He saw his task as persuading voters who had switched to the right. His party's centre of gravity already looks well to the right compared with that of the British Labour Party. The Portuguese Socialist favour membership of the EEC, a mixed economy and a commitment to Nato. Portugal's geographical position means, however, that the party does not have to agonise over issues such as whether nuclear missiles should be stationed on the national territory.

The recent dispute inside the Socialist Party, resolved last month, was not a question of left versus right. One group, including a number of technocrats, wanted greater decentralisation and a reduction in the powers of Dr. Soares, the Socialist Prime Minister.

Soares supporters, claimed that their opponents wanted to control the party. But there was no suggestion that anyone other than Dr. Soares should be leader.

Because a two-thirds parliamentary majority is required to amend the Constitution, Government support for reform, although there will inevitably be detailed bargaining before any agreement is reached, the Socialist Government has been about dismantling the revolutionary rhetoric enshrined in the document.

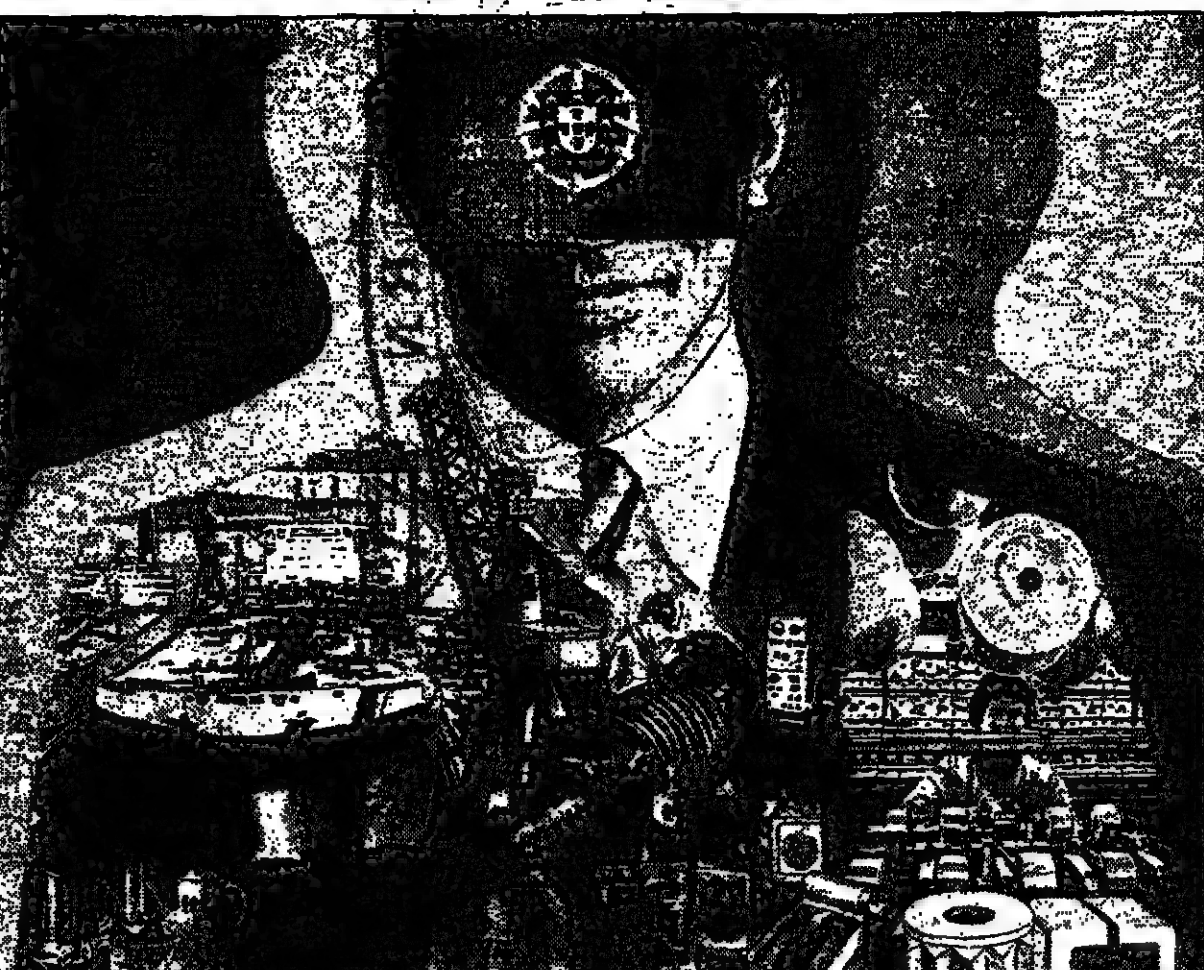
A clear sign that the post-revolutionary era is entering a new phase is the desire across party lines to abolish the Council of the Revolution, and the council's own willingness to be wound up.

The council, which includes the President, the Chief of the General Staff and service chiefs, can recommend to the President that he dissolves Parliament, dismisses or appoints a Prime Minister, and declares a state of emergency in the case of a foreign attack or threat or of an internal threat to the democratic order.

The Revolutionary Council can also make laws, administer, then, the organisation, functioning and discipline of the Armed Forces.

For the first time since that event, a civilian government faces the prospect of having the Armed Forces under its control. The exhilarating days when soldiers led the revolt against the old order, their rifles decorated with carnations, already seem part of history.

Denis Taylor



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Workers subordinate demands to country's interest

Portuguese workers earned a high reputation for militancy during the 1974 revolution and its aftermath, but present trends show that, at least since the Communist Party lost influence in government in 1975, the trade union movement has responded to pleas to subordinate its demands to the national interest.

The country's 3,700,000 workers are organized into two main trade union federations — the Communist-led CGT (General Union of Workers) and the UGT (General Union of Workers), which claims 178,000 members and is backed by the Socialist and Social Democrat Parties.

The UGT was founded in 1978 at the initiative of the Socialists to contest the CGT's monopoly of trade union organization and provide an anti-Communist alternative. It has not met with the results it hoped for, recruiting slowly from predominantly white-collar workers. Unionists of all political shades favour the UGT for effective action.

Industrial relations in Portugal from both labour and management viewpoints reflect the relative youth of trade union traditions. The right to organize was banned for most of this century by the Salazar dictatorship, which also retarded industrial development until the 1960s. These factors are important, a labour attaché from a Western embassy claimed. "During 50 years of Salazarism, management was accustomed to telling people what to do rather than consulting them. It is difficult now for the older generation of managers to change, especially when they are often subject to abusive confrontations from the workers."

The right to strike was

first won in Portugal in 1910, after the monarchy was overthrown in favour of a republic. According to A. B. Oliveira Marques, the historian, there were "only some 100,000 real proletarians in Portugal" at this time. Unlike its modern counterpart, the CGT federation formed in 1919 was anti-Soviet, allied to the anarchist Workers' International Association.

After the Republic gave way to dictatorship in 1926, strikes were banned and unions established on Mussolini's corporatist model. For 37 years, free trade union activity was ruthlessly suppressed. When Dr Salazar died, his more liberal successor, Marcelo Caetano, allowed limited trade union activity, leading to the formation of the CGT in 1970, crowning years of clandestine activity led by the Communist Party. With the 1974 revolution, the CGT established itself as Portugal's sole trade union bureau, drawing on the prestige of its illegal struggle. In the tumultuous days of 1974 and 1975, it occupied factories and seized land in order to back Communist Party demands for a greater share in government, and thus provided a serious problem for the majority Socialist Party, which was led by lawyers and doctors and lacked an industrial base.

Two factors have modified the CGT's power since the revolution — the Communist Party's fall from office in November 1975 and General Ramalho Eanes and his group of "nine" military officers took power, and the Socialist decision in 1978 to set up the rival UGT.

The former led to a change of tactics by the Communist Party, which found new

value in parliamentary tactics and accordingly exercised greater discipline over its industrial wing, a strategy tempered, too, by the challenge of the UGT. The potential power of the Communist Party to dictate to government through its industrial strength has been an underlying theme of political discussion since 1975, but is largely illusory. The lack of a long trade union tradition has limited the ability of the CGT to call political strikes — there is no tradition of strike funds, for example, and its over-centralized structure has undermined shop steward initiatives (the most flamboyant factory and land seizures of 1974 and 1975 were unauthorized). Successive Governments have been able to break strikes with an unknown in neighbouring European countries.

Moreover, after the revolutionary dust has settled, Portuguese workers found that in the pursuit of utopian goals their wages and conditions had suffered. In 1979 real wages were back to 1973 levels. Today the national

minimum is £7 a week, giving unions little scope to sustain long strikes. This largely accounts for the success of the conservative Democratic Alliance Government, elected in 1979, in discouraging agricultural collectives in the radical Alentejo region against opposition from rural workers' unions. This is not to say that the workers' in a post-revolutionary Portugal is docile, as their continuing loyalty to the militant Inter-sindical rather than UGT shows. Foreign investors, as local managers, are constantly frustrated by tough controls on the right to hire and fire, fiercely defended by the unions. These are often short-term contracts and the present Government intends to introduce a labour law which will extend employers' rights.

Although the power of the political strike is generally over-estimated, Inter-sindical has adapted its tactics to prevailing conditions by calling strikes of small groups of key workers in sensitive areas.

The civil service has also become a new focus for militant union action. With limited chances for employment in Portugal's small

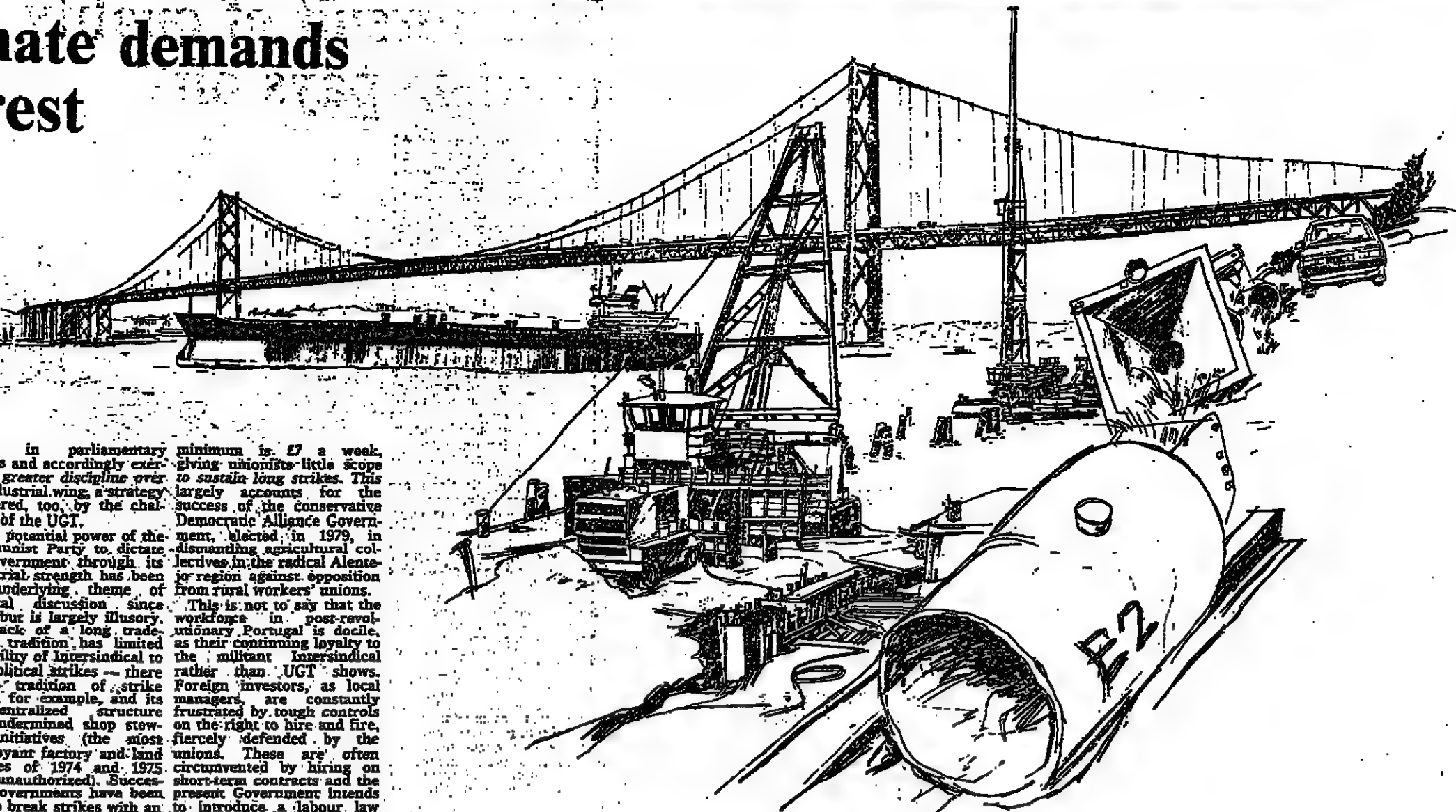
industrial sector, graduates must seek work in a Civil Service where their talents are underpaid and their aspirations frustrated by nineteenth-century bureaucratic practices.

The 1974 revolution introduced procedures for regular consultation between government and labour leaders, but

there are inevitable breakdowns, reflecting the newness of the experiment. This happened in April when Senhor Eusebio Marques de Carvalho, the Administrative Reform Minister, who resigned on May 31, caused outrage in the labour movement on the eve of a national civil service strike. He

appeared on television to make sweeping accusations of irresponsibility and malfeasance by civil servants. The dispute was inflamed to a point where calm could be restored only by some hasty footwork on the part of the Government.

Jill Carlton



The suspension bridge across the Tagus was opened in August 1966. To mark the revolution in 1974 its name was changed to Ponte 25 de Abril.

State banks to increase their capital

After the 1974 revolution, Portugal was turned into Europe's political laboratory. Seven years later, those more interested in the economic kind should turn their eyes back to Portugal, where a revolution is about to overtake the financial markets.

By the end of this year, according to Senhor Joao Morais Leitao, the Finance Minister, every company in which the state has a stake will have shares traded on the stock exchange. The Government is also working on fiscal incentives to make it worth while for privately owned companies to go public in another effort to bring the long-dormant Lisbon and Oporto stock exchanges back to life.

In the next six months, Senhor Leitao promises, the main public sector companies such as the National Steel Mill, the telephone company and the huge chemical firm, Quimigal, will have issued bonds worth 70,000m escudos (nearly £800m). As the first bond issues since the revolution by the Banco do Fomento Nacional and the electricity

company (EDP) earlier this year were vastly oversubscribed, the Government is placing great hopes on this device to mop up excess liquidity.

In May, one of the main nationalized banks, the Banco Espirito Santo, almost quadrupled its working capital to 4,000m escudos (nearly £50m). It was a measure that has been greatly overdone and the other state-owned commercial banks, long criticized for being under-capitalized and for having too high a gearing ratio, are expected to follow suit soon.

Portugal's entire banking legislation, dating back to 1911 when the board of one bank was still arguing that there was no point in acquiring computers to replace cheap and plentiful clerks, is being brought up to date to adapt it to the requirements of the European Economic Community. But most important of all, the Government is pressing ahead with plans to throw banking and insurance open to private investment for the first time since the great

wave of nationalizations of 1975.

The Government earlier this year licensed an investment fund formed by 13 leading private firms, including the country's leading wine and textile exporters, and this will act as the nucleus of a wholesale bank once the law is changed.

Two of the great business families which dominated Portugal before the revolution, the Melos and the Espirito Santos, are also entering the investment companies that will put them back in the banking business with the help of the compensation they are finally to be paid for their nationalized empires. But it was the revolution which put an end to the traditional mattress economy of the Portuguese. A cycle of high inflation, whose beginning coincided with the fall of the dictatorship, forced the Portuguese to drag their savings from their hiding places under the bed and deposit their money with the banks instead.

The trouble is, according to the Minister of Finance, that there is now far too much on term deposit with the nationalized banks, and that the bureau-cracy-plagued banks are not capable of channelling this money where the economy needs it. A primitive tax on interest earned on deposit accounts is being increased to 18 per cent to nudge the Portuguese into changing their habits.

More and more foreign banks are opening representative offices in Portugal, ready to bid for lucrative corporate business once their international clients discover the advantages of investing there.

The Bank of Portugal is creating shorter-term treasury papers to make more flexible monetary instruments available to the banks. Leasing and factoring are suddenly fashionable words.

The Portuguese are, in fact, beginning from scratch after a political revolution that drew some very old-fashioned dust covers over their financial system.

This is the profile the Minister of Finance drew of what he called Portugal's small, inefficient and obsolete financial system: "Credit for farming and housing is

insufficient because there are no specialized institutions to handle the kind of finance that is needed. Credit for investment is inadequate and the truth is that most of Portugal's productive investment is financed by dangerously short-term domestic or foreign loans. Insurance plays only a small role and Portuguese insurance companies are losing out to foreign ones."

Opening a recent parliamentary debate on allowing private banks to return, Senhor Leitao said: "Enclosed within a state monopoly, those who work in the banking and insurance sectors feel trapped in a rigid system bordering on a Civil Service in which merit receives every day less recognition, and where corruption is beginning to rear its head while productivity declines all the time."

The warning to unimaginative managers of the nationalized banks could not be clearer. The Government is convinced that healthy competition is the best way to make the state-owned banks become more energetic and that the three existing foreign-owned private banks, Banco do Brasil, Bolea and Credit Franco-Portugais, the only ones which escaped nationalization, are really far too small to offer the kind of competition that is needed.

Portugal's nationalized banks are busy opening new branches both at home and abroad, but are still themselves too small and weak. Although bank mergers are notoriously difficult in Portugal a few will be needed before the country can host a really European-sized bank and there have been recent hints that at least part of one or two of the smaller ones, such as the Banco Borges e Frazao or the Banco Figueira e Barros, may be sold.

The Government also intends to draw up tight regulations imposing steep minimum equity requirements on new banks. The Finance Minister promised legislation to prevent what he described as "any undesirable promiscuity between banks, industry and agriculture."

The new banking rules, the mergers, anti-trust legislation, the revival of the stock exchange, quite apart from the creation of new banks, will all require a great deal of time.

Setting strictly unrealistic programmes has been the hallmark of all Portuguese governments since the revolution. This one has the advantage of having a longer life expectancy than any of its predecessors because the next general elections are not due until 1984 and it has a comfortable Parliamentary majority.

But the list of all the tasks that the Government must deal with to modernize Europe's most backward economy in time for the EC's planned entry into the EEC in 1984 is formidable. The most complicated and politically sensitive of these tasks is, probably, allowing the return of private banks and, although credit must be given for this Government's effort, it may be taking off more than it can chew.

Anthony Charles

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The pursuit of quality tourism pays off

Portuguese tourism arrived at a crossroad two years ago and rightly it has proved, did not change direction.

By carrying straight on in pursuit of the quality market, tourism covered from the slump that followed the 1974 change of political direction and again accounts for about 5 per cent of Portugal's gross national income.

The decision to concentrate on quality rather than mass tourism was not difficult to make. Portugal is a small country and could not cope with a great influx of tourists. In any case the experience of neighbouring Spain with its uncontrolled hotel development was suitably chastening.

Planning applications are vetted rigorously, and, although incentives for overseas hotel developers to build in Portugal are attractive, and likely to be further improved by the end of this year, the Government is anxious that standards should be high and that Portugal's reputation as a tourist centre remain untarnished by inadequate or unfinished hotels.

Four operators in Portugal have found that people who have never been there are inclined to assume that it is exactly like Spain, and for this reason they have concentrated their marketing activities on highlighting the contrast between the two countries.

One result has been that Portugal is now the favourite holiday area for the Spanish themselves. The abolition of passport controls between the two countries has been the main reason, but the Spanish have found Portuguese hospitality, food and drink as much to their taste as the British have done for years. In 1976 just over a million Spanish holiday-makers crossed the border; last year five million came.

This marketing approach has also resulted in the country's sporting facilities being publicized, and British sports clubs will soon be receiving details of a new programme of activity holidays aimed at groups rather than individuals.

The establishment of a sports holiday complex at Vale do Lobo on the Algarve with the tennis courts and teaching organized by Britain's Wimbledon star Roger Taylor has been so successful that more are being considered.

To capitalize on the country's sporting facilities the Portuguese National Tourist Office in London has relaunched its "Sportugal" campaign. Market research has shown that there is an estimated £1,000m worth of tourist business available in the sports-related market.

Water sports of all types are available at most coastal resorts, golf courses are plentiful, interesting and

uncrowded, and facilities for most other sports are available through hotels and local clubs. Equipment can often be hired locally, although it pays to arrange this as far in advance as possible.

The promotion of sporting holidays and marketing campaigns aimed at the conference market brought in more overseas earnings without adding massively to the numbers of tourists, for it is the unspoiled nature of the country which has always been Portugal's main asset, particularly as far as the British are concerned.

The links between Britain and Portugal are as strong as ever, despite several unfortunate incidents during the fervour of the 1974 revolution when British landowners in the Alentejo had their property confiscated.

Realism has been restored, with the Portuguese adopting the attitude that it is long as it is for the good of the country it is immaterial if

local businesses and property are foreign-owned, and the Foreign Investment Code has been seen as working to the advantage of both investor and the nation.

Much of the income from the code and from tourism is being ploughed back into the industry and basic services have been improved to speed up internal communications and to take best advantage of more modern airport facilities and better services by the national airline, TAP-Air Portugal.

So far much of the inward investment has come from Holland, Scandinavia and West Germany, but tourist authorities hope British hotel groups will soon take advantage of the strength of sterling against the escudo — the exchange rate has almost doubled in sterling's favour in five years — and the lack of British exchange controls.

The exchange rate makes Portugal a particularly attractive destination for the

British, especially if the Portuguese preoccupation with relaxed quality holidays is carried to its logical conclusion and a fly-drive package is booked. Since there is now no direct United Kingdom-Portugal ferry service and the drive through northern Spain is worth a touring holiday in its own right it makes sense to fly from Manchester or London to Lisbon or from London to Oporto and pick up a hire car at the airport.

Then it is only a matter of selecting a route along the coast or inland to one of the many *pousadas* which participate in the scheme — although flexibility is the keynote and accommodation can be arranged anywhere available.

The *pousadas* are scattered throughout the country, often off the beaten track, and many are castles or monasteries which have been modernized to standards set

by the Government. Prices range from £10 to £17 a night for bed and breakfast for a couple sharing a room, with stops often limited to four nights in the high season.

A distinct advantage of this type of holiday is that it makes more accessible the north of the country, the Minho, perhaps Portugal's most beautiful and most interesting region. By car, narrow roads can be explored alongside tumbling trout-filled mountain streams, sandy beaches discovered, local food and wine enjoyed, and a visit to the port-producing Douro valley anticipated.

It is not lack of imagination which leads every tourist guide book to suggest a trip to the port lodges. It is simply that a welcome awaits which makes a perfect end to a holiday, or sets the tone at the start of what should be a memorable trip.

David Young

Symbolic dart replaces the sword

A Portuguese matador is no glamorous star of the bullring, but merely a humble slaughterer in an abattoir. And while *corridos* are as popular in Portugal as in the rest of the world, it is illegal to kill the bull in the arena. Apart from the fact that the Portuguese regard Spanish bullfights as barbaric, these are not the only fundamental differences between the two Iberian spectacles.

During the Portuguese bullfighting season, from Easter to October, crowds of nationals and visitors alike flock to the ring in cities and towns to watch fierce bulls being wrestled to the sand by teams of daring, unarmed volunteers and historically costumed *leiros*, pitting their thoroughbred mounts against the bull in superb displays of horsemanship.

Then comes the daredevil, swaggering *espada* who has all the courage, finesse and cloak science of his Spanish counterpart, the matador, but at the moment of truth throws his slender, ornamental sword — *chouzo*, *zuro* — "flee, come on bull". The beast soon reacts to the challenge and charges headlong "like a black thunderbolt", as one

Up to the middle of the eighteenth century, bullfighting was fought under the same rules as in Spain and the bull was put to death by the sword in the ring. It came a tragedy, Portugal's count was forced to death in the arena before the eyes of the entire court. By some quirk of reasoning or compassion, the reigning king decreed that from then on the fighting bulls would leave the ring alive (nowadays ending up as joints and steaks in the butchers'), but had to have the tips of their horns sheathed in leather.

Such is the historic pattern of Portuguese bullfighting in the ring. *Spada*, *Age* Resplendent in a gold-embroidered coat of silk or velvet, a plumed, rickon hat and shining knee-boots with heavy, box-like stirrups and silver spurs, the count, riding a fearless, caparisoned stallion enters the bullring to the fanfare of a post-horn.

With provocative, miming steps, the unprotected horse edges close to the waiting bull as its rider cries "Chouzo, zuro" ("flee, come on bull"). The beast soon reacts to the challenge and charges headlong "like a black thunderbolt", as one

Portuguese writer puts it: at the horse and rider. A flick of the reins, and the horse side-steps and escapes the tossing horns in a series of elegant dressage that dates back to the Napoleonic wars and, like the ones who drag down the bull for sport, is seen only in the Portuguese ring.

Swiftly, the *cavaleiro* plants a peribonito dart like a Spanish *banderilla* in the bull's shoulder. Always in perfect harmony, the *cavaleiro* and his mount manoeuvre to within inches of the rampaging bull after galloping around the ring. Back after barb is lodged and the crowd goes wild as the *cavaleiro* — still wearing, remarkably, his three-cornered hat — leans down to pat the bull's head.

His quota of darts having been planted, the *cavaleiro* makes up the Portuguese bullfight earns its applause and trophies of flowers, hats and other tributes tossed to the performers.

Like the Spanish matador, a good and particularly brave *espada* is a great crowd-pleaser. One I watched in the great Lisbon bullring recently, Antonio Portugal, was as handsome and agile as any of the breed. In his

line of eight *forcados* strides towards the growling bull, shouting insults and gesturing wildly. When the man is only a few feet away, the bull charges, and the clash is as loud as the *forcado* swept off his feet like a doll.

As he clutches the horns, and is worried like a rat in the grip of a terrier, his companions dash forward and by sheer weight of numbers, with one man clinging to the tail, force the beast to its knees.

What happens if their hazardous, almost foolhardy, technique fails? Quite simply, the *forcados* are tossed around like autumn leaves or trampled underfoot. I was told by the bullfight critics of a leading Portuguese daily that there are even one or two — rarely seen — women *forcados*. Every act that goes to make up the Portuguese bullfight earns its applause and trophies of flowers, hats and other tributes tossed to the performers.

Like the Spanish matador, a good and particularly brave *espada* is a great crowd-pleaser. One I watched in the great Lisbon bullring recently, Antonio Portugal, was as handsome and agile as any of the breed. In his

peacock's costume, he stood bare-headed on tiptoe with a barb held high in each hand and awaited the wrath of the bull. With grace and split-second precision, he leaned back from the falling horns and, to a thunderclap of cheers, embedded both darts in the bull's flesh. After repeating this display he hobbled close to the bull on his knees and, slowly, contemptuously, turned his back on it.

Antonio having mimed the death-thrust of the sword, a dozen steers and their herdsmen wearing the red and green national colours entered the ring to lead the bull back to its pen under the stands.

All other aspects apart, the Portuguese claim that their form of bullfighting is more sporting than elsewhere. And they refuse to see a contest of intelligence versus instinct in a fight between a man and a bull as a symbol of evil to the ancients.

"For us," said a *cavaleiro* from the bull-breeding region of Santarem, "the bullfight is a display of elegance, artistry and bravado in which the bull is merely an instrument".

John Fawcett

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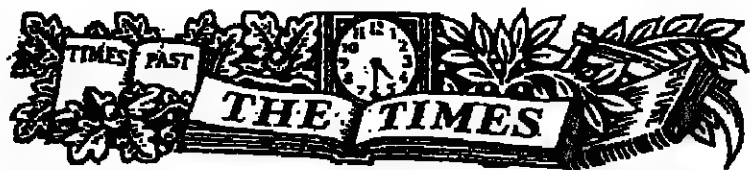
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MR REAGAN'S MONETARISM

American rates of interest are too high. They need to be lowered to secure greater stability in currency values and higher levels of international economic activity. This can be achieved in the United States without unleashing new fears of high American inflation ahead, if the authorities in Washington adopt a still stronger anti-inflation fiscal policy. This necessary course demands now that President Reagan postpone or substantially qualify his election campaign promise sharply to reduce taxes in the near future.

Interest rates in the high teens are attracting foreign capital to the dollar and depressing European currencies, and this is immediately increasing European import prices and so promoting more inflation. To counter this dangerous development the European central banks, including the Bank of England, could increase their own interest rates to bring them more into line with United States levels, so stabilizing currency rates. But that would inevitably deepen the current recession. The avoidance of still greater unemployment in Europe and of renewed inflationary pressures are best secured by American action to reduce interest rates rather than by European action to increase rates to match present levels in the United States.

The Federal Reserve Board in Washington has displayed determination to restrain the growth of the money supply in the name of combating double-digit inflation, but public and private sector demands for money in America have been great. As these have clashed with the central bank's firm stance, so interest rates have soared. It would be folly now for the Federal Reserve to allow faster money supply growth in order

to bring interest rates down. Such a move would undermine the stern anti-inflation efforts of the recent past and spread alarm in financial markets about the prospects of much higher inflation ahead. Indeed it has been partly the fear that the central bank will lose its nerve and open the money supply spigot that has made many theorists in the United States rush to borrow money now, fearing that higher inflation lies ahead.

It is urgent now that the American authorities act to strengthen public expectations of lower inflation so curbing the speculative demands for money that have in part been pushing interest rates higher. Rates have also moved ahead, of course, because of the stronger, than expected, level of economic growth that has been seen in America in the first third of this year and, most significantly, because of large-scale public sector borrowing.

Interest rate pressures would subside and hopes of lower inflation ahead would be raised if public sector borrowing fell. Wall Street has been bluntly telling the White House that adoption of a tighter fiscal policy is necessary and European leaders have made no secret of holding the same view in their meetings with Americans. West Germany's Chancellor, Herr Helmut Schmidt, made this very point on a recent visit to the White House.

President Reagan has secured a quite remarkable victory in the Congress by winning approval of a public spending programme that cuts deeply into almost every non-defence sector. These spending cuts would secure a balanced budget in the United States if they were not offset by the President's planned tax cuts aiming at a decline in income taxes of approximately 25 per cent over the next three years. Large tax

cuts now, despite the unprecedented spending cuts, will mean that the Federal Government's budget deficit in the next fiscal year, starting on October 1, is at least 40,000 million dollars, after a deficit in the current fiscal year of at least 55,000 million dollars.

The President holds to the tax cuts to show he is keeping his campaign pledge, to respond to his most ardent supporters who have long declared that middle- and upper-income tax payers in particular are grossly over-taxed, and to boost investment. Some of the President's economic advisers believe the tax cuts will stimulate investment and real economic growth that will rapidly rise. This latter theory is unproven and the risk of acting on it is too great at a time when inflation is high, when inflationary expectations are high, and when the budget deficit is large. This approach ought to be tested, at a time of greater economic stability.

If President Reagan were now to announce a delay in cutting taxes or make more selective cuts the effect on interest rates, indeed on general confidence, would be swift. There would then be the prospect of lower public borrowing with a balanced budget, which is bound to raise hopes of greater price stability ahead. There would be less speculative borrowing of money, so reducing money market pressures and bringing about a lowering of United States interest rates without the central bank having to make the slightest change in its anti-inflation money policy. Such an approach would probably bring about a more stable currency market stability also, and so ease to some degree the problems besetting nations such as Britain which have economic difficulties enough of their own making.

NOT THE ONLY WAY TO MEET A THREAT

By attacking Iraq's nuclear installation before it could be used to manufacture a nuclear weapon for use against the Israelis have rudely forced on the attention of the world an issue it can no longer ignore. The genie of nuclear proliferation is out of the bottle. To build a nuclear reactor for peaceful purposes and to manufacture an atomic device are separate activities. But the one can all too easily lead to the other, provided the country concerned is minded to engage in a nuclear weapons programme by disguising certain technical processes and evading existing international controls.

The list of those countries which have acquired sufficient expertise and experience to do this is growing. Most alarming of all, there is a tendency for hostile neighbours to compete to acquire the necessary technology and materials. Israel is far from being the only country which feels itself to be menaced by surrounding powers with aggressive intentions. The Israeli raid on the Baghdad nuclear plant is presented by Jerusalem as a bid for peace and death, and when a nation's very existence is thought to be at risk, the niceties of international relations are not always observed. Israel has resorted to interdiction, a threshold has been crossed, and a precedent may have been set which other fearful nations may be tempted to follow.

Perhaps the most pressing case is that of India and Pakistan, which have gone to war in the not so distant past. India has been a nuclear power since 1974, when it exploded its first atomic device. Pakistan is thought by many nuclear experts to be close to following suit, despite its repeated assertions that its

nuclear programme is entirely peaceful. In other parts of the world, potential conflicts may not be quite so dramatic, but the risks are none the less there. In Latin America both Brazil and Argentina have nuclear industries, and their regimes are run by the armed forces, to whom the acquisition of a nuclear capability is a matter of prestige as well as military advantage. South Africa is another country believed to be well on the way to nuclear status. In the Middle East, Iraq is not the only Arab country to have made progress toward possession of the atomic bomb. Libya too has talked of the need for an "Islamic bomb", and has cooperated with Pakistan toward that end. The prospect of nuclear weapons in the hands of so irrational a leader as Colonel Gaddafi is a frightening one, as is the possibility, however remote, that nuclear arms could be put at the disposal of terrorist groups.

Controlling the spread of nuclear weapons is something over which the original nuclear powers no longer have complete control. The monopoly has been broken. The technology for making at least a primitive device is widely known. But the major nuclear nations are far from being completely powerless, and indeed could take preventive action even at the eleventh hour, provided nuclear powers such as France were to play their full part.

France has been especially culpable in its dealings with Third World countries. The Iraqis were apparently able to skirt round French restrictions on supplies of highly enriched uranium, the raw material for a bomb. Iraq must also take its share of the blame for agreeing to supply Iraq with a reprocessing plant capable of extracting

plutonium — the other main ingredient in an used reaction. It is encouraging that the French have now decided to equip their customers with reactors which use a low-grade uranium not suitable for weapons manufacture. They have, however, come to this realization rather late in the day. France, moreover, has consistently refused to sign the Non-Proliferation Treaty, as indeed has China. The absence of such major nuclear powers from a treaty specifically designed to prevent the spread of atomic weapons has clearly robbed the treaty of much of its force.

The inadequacy of the NPT was demonstrated as long ago as 1974, when India exploded its device despite the efforts of Canada — which had supplied India with its nuclear technology — to ensure that adequate safeguards were maintained. The international response to that — the setting up of the London Nuclear Suppliers Club — was well-intentioned, but has on the whole had the unfortunate effect of further undermining the NPT, by acting as a parallel and rival organization. It would be far preferable if the major powers were to strengthen and — equally important — rigidly enforce the provisions of the NPT, to ensure that nuclear technology and expertise are not used for purposes not intended in any circumstances to be diverted for military aims. The nuclear powers must also join together to bolster the verification and inspection procedures of the International Atomic Energy Agency, whose conditions all signatories to the NPT are bound to observe. A sense of urgency and common will is needed if the world is to avoid the fast approaching nightmare of regional nuclear conflict.

comparability to determine appropriate market rates. One way out does not yet seem to have been considered. This is that, while public policy might determine actual Civil Service pay rates under conditions of economic stringency or necessity, pay research should continue to determine nominal salaries on a basis of comparability with the private sector. Any difference between the two scales (assuming, as is generally likely, that this is not a cost that can be accumulated as deferred pay).

In justice, the deferred pay should attract interest, and there should be limits to the deferment. It might (for instance, and very suitably) become payable on the Dissolution of the Parliament that authorized it, when consumer demand needed boosting, or in individual cases and at choice, on withdrawal or retirement from the service.

Since in the long run public and private sector earnings seem to keep roughly in line, it would cost governments no more (and might cost them less). And what would amount to an adoption of an intermittent forced savings system for civil servants would offset the argument that Civil Service comparability ought now to allow for the greater insecurity of private employment.

Yours faithfully,
PROFESSOR H. A. TURNER,
Churchill College,
Cambridge,
June 6.

Democracy and the Labour Party

From Mr Christopher Patten, MP for South Devon (Conservative)

Sir, Mr Field (June 8) is wrong about the twentieth-century view of the party system; he ducks the question of the proper relationship between Parliament and party, and if he is disagreeing with David Watt's assessment of the civil war in the Labour Party he is being wildly optimistic.

Victorian politicians and political writers did not, as Mr Field suggests, believe in "a parliamentary system without parties". Far from it. "Parliamentary government", said Disraeli, "is party government. You cannot have one without the other." Writing about the House of Commons, Bagehot noted that party is inherent in it, some of its bones and breath of its breath.

He believed that party organisation is the vital principle of representative government, but that organisation is permanently of a party nature. The body is eager, but the stomachs are cool. If it were otherwise, parliamentary government would become the worst of governments — a sectarian government.

That is of course exactly what some of the "warm partisans" in Mr Field's party want. They have picked up once again the argument for a Labour Party Constitution with the Labour Party filtered in the 1930s. The aim is to replace government by the Crown in Parliament with government by the party, and the party becomes the master of the government, not its servant. As Leo Amery wrote:

"Parliament becomes a mere instrument for the execution of the policy of a party, and the quality of members no longer matters and debates are no longer of any importance, shaped, not in the light of full and free discussion, nor even in that contact with the realities and with that sense of national responsibility which would be the result of a Cabinet, but by an irresponsible partisan caucus, thinking only of the party and its interests."

Not only do some of Mr Field's colleagues wish to make Parliament subject to party, they also want undiluted, majoritarian government with the mandate theory of politics reigning supreme. It is only a matter of time before we hear the call for a real "people's democracy".

Sooner or later Mr Benn is going to win the fight in the Labour Party. This makes it even more important, than it was before, that we should be less ready to find answers to the two questions which should stand at the top of the political agenda. First, how can we safeguard our Constitution and our traditions, and second, how can we ensure that we have a government which is not subject to party, but which is subject to the law?

Secondly, how can we restore the authority of Parliament?

Mr Field is particularly relevant to these questions though I can see that it may be of some tactical value in a reselection conference.

Yours faithfully,
CHRIS PATTEN,
House of Commons,
June 8.

College closures

From the Principal of Bedford College

Sir, On two recent occasions The Times has published reports purporting to reflect the views of the Committee on Academic Organization of the University of London. Today (June 2) The Times quotes a section from its latest report, which states that "the future of medical schools" (but under the misleading headline "Threat of closure faces five colleges").

The proposal that we should form a consortium with other schools, if it is true coupled with a suggestion that by themselves each school may be at risk, but this is far from being a threat of closure. This college was founded in 1863 and has a long and distinguished history. It is a college of medicine, and its academic status is in a period of financial insecurity, and in the last few months has been preparing itself for discussions with other colleges like mine, to paraverse Palmerston to close, Sir, is the last thing the college will do, and we particularly want those thinking of coming here, and our present students, staff, and well-wishers, to know this.

The committee's document will undoubtedly provoke a great deal of discussion, that is its purpose. In the meantime, however, we are pleased which this discussion can proceed can only be clouded by misleading headlines such as today's.

Yours faithfully,
J. N. BLACK,
Bedford College,
University of London,
Regent's Park, NW1.

Seat-belt legislation

From Sir Ronald Bell, QC, MP for Beaconsfield (Conservative)

Sir, This week an attempt will be made in the House of Lords to introduce into the Transport Bill provision for compelling people to wear car seat belts. It will not, of course, be a Government proposal, because the Government's view, quite rightly, is that this is not a proper field for further state control of the individual.

It will not be a proposal reflecting a general public demand for more prescription by the Government in the conduct of our daily lives. Many are not yet as aware of our faults, we are not yet as concerned to correct them. It will, quite simply, be the latest attempt at pressure-group legislation.

Pressure groups are responsible for many worthy achievements, but they always bring with them two dangers. One is the belief that their espoused cause is the one great exception to the general need to preserve personal freedom; the other is the danger of the mind that is totally committed and therefore closed. Both dangers are present in the fullest measure in the seat-belt case.

The "exception from freedom"

Drainage plans for Norfolk Broads

From the Director of the Council for the Protection of Rural England

Sir, A public inquiry into the mammoth land drainage proposal at the Norfolk Broads, Norfolk, is important as your leader (June 6) states, because of the impact it would have on the largest remaining stretch of the Broadlands' unique open marsh grazing landscape. But my Council (CPRE) is also concerned, on the basis of independent expert assessment of the economics of the proposal, that it is a thoroughly suspect proposition in public expenditure terms. The one thing worse than wholesale drainage of the Halvergate marshes would be their wholesale drainage at public expense with no prospect of public benefit at the end of it. An inquiry really is vital to sort this matter out.

But still broader issues are at stake. All over the country, drainage schemes like this one, with equally severe implications for landscape and wildlife, supported by equally questionable economic calculations, are proceeding relentlessly. Growing sums of public money are being made available discreetly for that purpose by the Ministry of Agriculture (MAFF) — in 1976-77, £16.6m, in 1978-79, £26.8m. This is happening at a time of expenditure constraints in practically every other sphere.

The 5,800-acre Halvergate scheme has only come to light, as your leader notes, because the MAFF has persuaded the MAFF to modify it of proposals for grant-aided drainage in its area. The CPRE has long argued that comparable modification arrangements ought to apply all over the country, so that damaging cases can come to light and can be argued out in public.

Such a shift is all the more necessary because of the immense bias towards "improvements" which is built into the MAFF's system of grant-aid for drainage. In the Halvergate case, there would be no public funds available for the installation of new pumps simply to maintain the present drainage regime. Only bigger pumps can attract grant. So arising from the MAFF's grant system itself there is a perpetual pressure to alter existing landscapes and habitats. Do we really want this to continue?

The Wildlife and Countryside Bill, now in Parliament, provides an opportunity for setting some of these matters to rights. Let us hope that Government will now recognize the urgent need for changes to prevent law and practice. Yours faithfully,
R. E. GROVE-WHITE,
Council for the Protection of Rural England,
4 Hobart Place, SW1,
June 9.

From Mr J. E. Hooson

Sir, Your report (June 2) on agricultural drainage in areas adjoining the Norfolk Broads gives a misleading impression of the position. The marshes referred to have been drained and farmed for centuries and being below high-tide levels, depend entirely on pumped

drainage which has ensured that the land does not revert to salt marsh and so lose the landscape character which is considered of such importance by the Council for the Protection of Rural England (CPRE). The new scheme will replace worn-out pumps and so safeguard the levels from saline flooding.

Neither footpaths nor nature conservation in the area are threatened. Protection of sites of special scientific interest (SSSI) has high priority and farmers recognize that their designation implies a national significance. The fact that farmers are compensated by the Nature Conservancy Council through agreements under section 15 of the Countryside Act 1968 makes for a good understanding between nature conservation and agriculture. Talks aimed at protecting wildlife in a considerable area in addition to the SSSI within the present scheme are nearing a successful conclusion.

The main difficulties arise from the potential agricultural use of land lying outside the SSSIs. The drainage scheme will allow conversion of poor grazing land to arable cultivation. This will have a beneficial impact on existing landscape features or rights of way, and indeed most of the farmers in the area have indicated a desire to maintain, as far as possible, existing tree cover and other substantial items in the landscape.

Unlike the SSSIs, however, neither the Countryside Commission nor the Broads Authority feel able to compensate farmers where in the interests of further landscape conservation they are persuaded not to make the profitable change to arable crops. There is no lack of good will on the part of the farming community but the onus is now clearly on the conservation agencies and bodies such as CPRE to put a value on the existing landscape and to make positive and practical financial proposals to the farmers in the areas they wish to conserve.

Yours faithfully,
J. E. HOOSON,
Chairman of the Parliamentary Committee,
The National Farmers' Union,
Agriculture House,
Knightsbridge, SW1,
June 2.

From the Reverend J. E. Rathbone
Sir, My initial doubts about the new format of the back page were at once dispelled today. As my eye wandered from a tricky 17 down towards the right it chanced on the "Talks, lectures" column. There I learnt with much joy that Dr Walter Kirstein was to talk at St Jude-on-the-Hill on "Climbing and skiing in the Alps with slides". If you promise to keep this standard up then I willingly succumb to the change.

Yours sincerely,
RICHARD J. A. R. RATHBONE,
20 Marlborough Gardens,
Lovelace Road,
Surrey,
June 2.

From Mr Vesey Crichton

Sir, Whatever next? Pop-out leader columns?

Yours faithfully,
VESSEY CRICHTON,
Eglington Lodge,
West Green,
Hampshire,
June 3.

From the Reverend Owen Barracough

Sir, It is just no good. The back page suffers from coffee stains and

obsession happens to be particularly obvious here, because already some people are killed because they are wearing seat belts, and a seat belt itself. If compulsion drove the wearing rate up to three times its present level, the number of such people would be trebled.

But it is the second danger to which special attention should be given. The current campaign was launched by its sponsors in the belief that compulsion here would save 1,000 lives and 10,000 injuries a year (Hansard, March 22, 1979, col 1972, Mr W. Rodgers). On that they justified the severe intrusion into personal liberty.

I was content in that belief was the experience of a seat-belt law in Victoria, Australia. I pointed out two years ago in the House of Commons the absurdity of the superstructure of argument erected upon and of the dizzy extrapolation of figures from the Victorian statistics. For over the same period of time in England, with no seat-belt law, the fall in deaths and injuries was greater than in Victoria — and, doubtless in each case it was due to the oil crisis.

Since then statistics have flowed in from countries repudiating even 30% of the car-use of the world.

Easing the burden of church upkeep

From Mr J. Brandon-Jones

Sir, I was delighted to read the Reverend Harry Ogden's letter in The Times for June 5. I am sure he was right to suggest that a campaign for the repair and enhancement of an old church would be likely to draw together the parishioners in a common effort. If they succeed it will give them a sense of achievement that can only be good for morale and the reminder that St Francis started his mission by rebuilding a ruined church was particularly apt.

For the first 10 years of its existence I was a member of the Advisory Board for Redundant Churches. It was an interesting assignment, but it was depressing because in so many cases it seemed that the inheritance of a fine building had become an embarrassment rather than an inspiration to a small congregation with limited endowments.

More recently, as a member of the Churches Committee of the Historic Buildings Council, I have been concerned with the allocation of state aid for churches in use. I have been impressed by the fact that even a small grant will often put fresh courage into a struggling parish and I have been filled with admiration for the efforts made by clergy and congregation to raise the balance of the funds required for the restoration of their church.

At the same time, it has been disturbing to find that many churches have run into serious difficulties because elementary precautions have been neglected and small leakages or blocked gutters have not been given prompt attention. Minor defects that could be remedied for a modest sum may, within a very few years, cause damage requiring the expenditure of thousands of pounds. In too many cases the limited funds available have had to be spent on work that ought never to have been necessary.

Quinquennial surveys are only of use if the architect's recommendations are followed by action. If, for financial or other reasons, the work required is beyond the capacity of the parish, the fact should be reported immediately to the archdeacon so that attention can be given to the problem at a higher level.

Do any theological colleges run short courses or weekend conferences on elementary building maintenance?

Yours faithfully,
J. BRANDON-JONES,
2 Redding Road, NW3,
June 6.

From Mr Gordon Cook

Sir, I endorse the Reverend Brian Doolan's call (June 4) for a strong and imaginative policy on the future of the church's money.

I have been thinking of the great Victorian churches he glorifies are capable of adaptation to contemporary needs at far lower financial and environmental cost than the provision of new buildings.

Yours faithfully,
GORDON COOK,
Chairman of Trustees,
The Churches Community Development Consultancy,
17 Scots Lane,
Shortlands,
Kent, SE2 0LH,
June 5.

First draught

From Miss Judith Banister

Sir, I am puzzled by your reviewer's reference ("South Ken den" June 4) to Sir Hans Sloane's having invented hot chocolate. It was served in the coffee houses of London fully 10 years before he was born, a thick and frothy beverage whisked up with a "moline".

That "excellent West India drink" was a far cry from the butter-deprived concoction marked by an Houten nearly two centuries later. I have seen references to Sir Hans having invented "milk chocolate" — was it just that he liked his drink milky or did he anticipate van Houten in his production of cocoa? Whatever the answer, he most assuredly did not inaugurate "jocallite" as drunk for centuries in South America and for at least a century from about 1650 to 1750 in Europe.

Yours faithfully,
JUDITH BANISTER,
20 Marlborough Gardens,
Lovelace Road,
Surrey,
June 4.

Chain reaction

From Mr N. W. Pirie

Sir, The photograph of a tree-climbing "bicycle" in your issue of June 2 is interesting, but the idea is not novel. Dr T. A. Davis, an Indian biologist, was among them when the Statistical Institute, Calcutta, made a simpler device 20 years ago. He published descriptions of it with several photographs, in World Crops (December, 1961) and in a paper given at a Food and Agriculture Organization meeting on coconut production in 1964. For this invention the Indian Inventions Promotion Board gave him a cash award and certificate.

Yours faithfully,
N. W. PIRIE,
42 Leyton Road,
Harpenden, Hertfordshire,
June 4.

Fodder for thought

From Mr Raymond Andrews

Sir, The other day I made a town planning application for a circular free-standing glass conservatory in the back garden of a London town house.

In a whimsical moment I called the building a "gazebbo". The reply from the Borough Planning Officer asked me, "what provision was it intended to make for the storage of the animals' food," as this might be detrimental to the amenities of the conservation area.

The borough fee for this application was £50.
Yours faithfully,
RAYMOND ANDREWS,
1 Sloane Street, SW1,
June 4.

Yours faithfully,
RAYMOND ANDREWS,
1 Sloane Street, SW1,
June 4.

Why petrol
will cost
more, page 19

Business News

THE TIMES June 10 1981

Watchmakers'
battle with
Japanese, page 19

- Stock markets**
FT Ind 545 down 2.3
DM 2,401 down 50 pts
PT Gilt 65.81 up 0.44
- Sterling**
\$1.9405 down 5 points
Index 94.6 down 0.1
- Dollar**
Index 109.5 down 0.1
DM 2,401 down 50 pts
- Gold**
\$456.50 down \$16
- Money**
3 mth sterling 13 1/4
3 mth Euro 17 1/4
6 mth Euro 17 1/4

IN BRIEF

Reprieve for Danish shipyard

The Danish Government has given a new export credit guarantee to the shipyard to solve an acute cash crisis and permit the completion of one of the world's largest order portfolios.

The move saved the huge shipyard from almost certain collapse. The Ministry of Industry and Trade had rejected a credit guarantee last week, saying that it was not convinced that management moves to increase productivity were sufficient.

It changed its mind after the shipyard worked overtime to catch up with building delays and signed a new, binding productivity-boosting agreement.

THF bid spurned

Sir Hugh Wontner, chairman of the Savoy Hotel group, has again urged his shareholders to ignore Trusthouse Port's \$67m bid for the group, which he describes as wholly inadequate.

Meanwhile, the company has added another 118,000 "A" shares to its holding giving it, together with acceptances from the Kuwait Investment Office and a handful of others, 61.1 per cent of the low-voting "A" shares.

Decca sale go-ahead

Racal Electronic's £124m sale of Decca Radio and Television to the Matsushita group of Japan went ahead yesterday after last-minute negotiations to resurrect the deal, which collapsed in disagreement a week ago. Racal expects to receive £15m from the separate sale of Decca Radio and TV's current assets.

Construction output

Output in the construction industry fell by five per cent in the first three months of 1981, compared with the last quarter of 1980 according to the latest provisional estimates from the Department of the Environment. The figure was 15 per cent down compared with the same period last year.

Worker participation

Of the 93 per cent of companies which said they had worker participation schemes, 22 per cent actively involved employees in decision-making, and 26 per cent said they were looking at new ways of developing participation, according to a survey by the British Institute of Management.

Iran backs unions

Mr Mehdi Navab, the Iranian Ambassador in Bonn, told West German trade unionists Iran would use its 25 per cent stake in Krupp Stahl to block company plans for redundancies.

Fife jobs at risk

A further 2,100 jobs could be lost in the process plant industry if substantial contracts are not awarded for the construction of ESR's Westwood ethylene plant, in Fife, the Process Plant Association said yesterday.

Drax plant extended

A 105MW power station at Drax, near Selby in Yorkshire, has been brought into service by the Central Electricity Generating Board, eight weeks ahead of schedule.

Computer contract

ICT's Australian subsidiary has won a £2m contract from the Commonwealth Life Assurance Company for the supply of computer equipment and software.

Wall Street lower

The Dow Jones industrial average closed 1.20 points down to 994.4. The \$-SDR was 1.1522. The £ was 0.90128.

Dispute forces up state borrowing by £1,000m

By John Whitmore, Financial Correspondent

Industrial action by the civil servants has a smaller impact on the Government's borrowing requirement and monetary growth in May than had been generally expected.

Even so, the Treasury estimates that the effect on tax receipts was to inflate the central government borrowing requirement by just over £1,000m during the month.

That means for the first two months of the present financial year the central government borrowing requirement has been £5,244m compared with £3,288m in the same period last year.

The estimated effect of the civil servants' action on monetary growth in the May banking month (the five weeks to May 20) was 4 to 1 per cent in an overall sterling M3 increase of 11 per cent.

What seems clear is that revenue has been getting through to the Exchequer rather better than many outside observers suspected.

Despite the modest May increase, however, Inland Revenue receipts for the first two months of the financial year, at £3,907m, are still £481m down on the first two months of last year. For 1981-82 as a whole, Inland Revenue receipts are forecast to rise by over £6,000m, or 18 1/2 per cent.

Overall Government revenue for the first two months of the year now totals £8,197m compared with £8,055m in April and May 1980. The Treasury says that revenue delays in the two months have cost between £2,250m and £2,500m, and between £3,000m and £3,500m since the dispute began.

The Government has consistently reiterated, however, that the dispute does not undermine its economic strategy. It is assumed that the bulk of the tax payments that have not found their way to the Exchequer will ultimately be re-couped.

On the expenditure side, supply services, which cover the largest part of departmental spending, appear to be growing much more in line with forecast this year. Over the first two months this expenditure has been running 8.2 per cent ahead of last year.

To the extent that the Government is having to borrow more, this means that it needs to sell more Government debt to the private sector or see bank deposits increase.

Although the Government has been drawing in considerable amounts of money from "calls" on gilt-edged stock and from buoyant sales of National Savings, the money supply is still estimated to have grown by about 14 per cent in May.

In the sense that this is considered a temporary inflation of the money supply, the authorities are fairly relaxed about it. Their main concern is the underlying trend in the money supply. The belief is that it is growing in line with the official target of an annual growth rate of 6-10 per cent.

What makes it especially difficult to interpret the effect of the civil servants' action on the monetary statistics is that it is hard to know the way that companies are responding.

The latest bank lending figures, suggesting a seasonally adjusted decline of about £100m in private sector borrowing in May, look extremely encouraging. But it may be that many companies are at present using "pay money" to keep their borrowings low.

Financial Editor, page 19
Tables, page 20

Record cash outflow cuts trade surplus

By David Blake, Economics Editor

The biggest ever recorded outflow of capital wiped out a substantial surplus on Britain's current account in the first quarter of this year. An estimated £2,600m flowed out of the country through capital transactions made easier by the Government's abolition of exchange controls.

Much of the increased outflow, compared to the end of 1980, came from lending by the banks.

The figures for the United Kingdom's balance of payments in the first quarter of this year are complicated by the Civil Service dispute, because of which no reliable estimates are available for the trade figures or the current balance in the first quarter of 1981.

But it is thought that there was probably a current account surplus overall of about £2,000m in the first quarter. Of this, about £1,000m was explained by surplus on invisible such as tourism and earnings from the City. There was also a big boost to net payments from EEC refunds.

The outflows of private capital, which began with the abolition of exchange controls, are believed to have continued in the first quarter of the year. About £1,000m is thought to have gone out as a result of this.

Even more important were the banks, which stepped up their activity in the early months of this year. It is thought that about £900m in sterling was loaned to non-residents. Only about £400m came in as foreign loans to residents in the United Kingdom.

Just as banks had tended to switch into sterling last year, they moved out in the first quarter of 1981. The result was to drive down the value of the pound.

There was an estimated total of about £1,800m in private investment from the United Kingdom overseas. Of this, about £1,150 is thought to have been portfolio investment, roughly the same as in the final quarter of 1980.

There was a slight increase in direct investment by British companies overseas in the non-oil sector, accompanied by a downturn in oil spending, partly because British companies were placed at a disadvantage because they did not have access to cheap Saudi crude.

One of the most dramatic factors affecting the overall payments balance was an increase in sterling lending to non-United Kingdom residents, which was set at about £900m, roughly the same as in the fourth quarter of 1980.

The figures also show that the value of oil and gas sold from the United Kingdom Continental Shelf went up sharply in the first quarter of the year.

Tourism moved back into surplus in the first quarter after a deficit in late 1980. Credits on foreign airlines went down because the number of flights fell and sea transport was hit by the seamen's strike.

Currency markets nervous

By Frances Williams

Leading currencies fluctuated widely in nervous and erratic foreign exchange markets yesterday. The pound, which fell below \$1.92 in New York overnight, started at \$1.9150 before dropping to \$1.9140 at the end of trading, just five points down from Monday.

Its trade-weighted index was down 0.1 at 94.6 (average 1975-100) reflecting a slight weakness against most European currencies.

The dollar opened strongly, buoyed by worries about the political and military situations in Poland and the Middle East, but fell sharply to DM2.371 on rumours later denied, that the German Federal Bank was to hold a special meeting yesterday which might decide to raise interest rates.

The dollar recovered during the afternoon to close in London at DM 2.4010, down 50 points from Monday. Its trade-weighted index closed down 0.1 at 105.5.

The pound was little affected by better-than-expected money supply figures, which are still confused by the civil servants' dispute. Dealers took the view that these made the prospect of a rise in minimum lending rate on Thursday even more unlikely.

But news of large capital outflows in the first quarter of the year, revealed by yesterday's balance of payments figures, prompted a slight decline in sterling in the afternoon.

Family raises £9.9m in Comet shares sale

By Peter Wainwright

Mr Michael Hollingbery, 48, and his family yesterday sold eight million shares in the Comet group of which he is chairman because too much of the family wealth was concentrated in one company. The sale raised £9.92m.

The £51m Comet Radiovision Services is a chain of around 200 Comet Electrical discount stores and Timberland Do It Yourself shops, as well as a jewellery manufacturer and a supplier of Polaroid metal press-ups for domestic appliances and cars.

The eight million share sale, which was handled by Kleinwort Benson, the merchant bank, and Jansel Capital, the broker, took less than an hour to arrange.

The price charged, 124p, was well below Monday's close of 139p. The shares have been weak since the group reported profits almost unchanged at £57m in the half year to the end of March.

The eight million institutional placing was well received because it lowered the family shareholding from 55.1 per cent to 35.3 per cent.

The new shares in public hands will mean a freer market for the shares and the pledge to Kleinwort Benson of no further share disposals for at least two years was thought reassuring.

Capital gains tax will probably ensure that the 124p share sale price translates to around 90p by the time it reaches the family so that the sale is worth only £7m or so.

The closest parallel to the Comet sale was the succession of disposals by Mr Selim Zilkha, founder and chairman of Mothercare.

Strike hampers imports monitoring Disguises beat clothing quotas

By Rupert Morris

Millions of pounds' worth of cheap foreign-made jeans, sweat shirts and other clothing may be passing through British Customs undetected because of the Civil Service strike. The strike, by staff operating the Customs and Excise computer at Southend, has prevented records of shipments being kept.

The British Clothing Industries Association (BCIA) relies on these records to find out whether excessive amounts of goods are being imported from particular countries, and whether quotas should be imposed or not.

The association is concerned that, because of the strike, a number of countries which Britain does not have quota arrangements with could be flooding Britain with cheap goods undetected. Without information on shipments, it would be impossible to fix new quotas and great damage could be done to the British clothing industry.

A Customs and Excise spokesman said the strike had caused delays but records could be inspected manually. "Investigation of any illegal imports continues," he said.

The BCIA has complained to Mr Cecil Parkinson, Minister for Trade, about imports of jeans from Hongkong which were accompanied by so-called waistcoats often too small to wear and clearly intended to avoid quota limits on jeans.

Fraud of various kinds has been a problem in clothing imports for some time. Lately the methods used have become more and more ingenious. Customs can expect to seize more than £4m worth of illegal clothing imports each year.

Recently, sweat shirts from Portugal have been pouring in, sometimes with two in a bag and marked as tracksuits to bypass agreed quotas. Another ruse is for shirts to be accompanied by skimpy, unfinished shorts included simply so that the package can be designated as a suit.

The Customs fraud investigation team has been strengthened this year. It has discovered substantial consignments of dresses labelled as nightdresses, and similar abuses.

A sensitive issue which particularly worries the BCIA is the import of clothes under provisions of the Multi-Fibre Arrangement which allow unlimited imports of ethnic garments such as Indian saris or turbans, not normally made in Britain. The association fears that ordinary shirts and dresses are being smuggled in under this disguise.



Sir Terence Beckett, CBI director-general (left), with Sir Ray Penneck, CBI president, at yesterday's meeting.

UK may press for joint action on Japan trade

By Peter Hill, Industrial Editor

Britain will press the European Economic Community to enforce restrictions on Japanese imports if the existing industry-to-industry voluntary restraint agreements break down.

Mr John Biffen, Secretary of State for Trade, emphasized yesterday after a 90-minute discussion with leaders of the Confederation of British Industry that Community action would be possible within the framework of the General Agreement on Tariffs and Trade and through EEC legislation.

But he stressed that such a move would be entered into only in the last resort since the British Government firmly believed that voluntary restraint pacts negotiated at industry level were less provocative than Government action.

The CBI called for the meeting with Mr Biffen after its policy-making council last month adopted a toughly worded policy document on trade with Japan. Its tone had worried ministers. Yesterday's meeting appeared to have made some considerable progress in assuring business leaders that the Government was conscious of the growing problems faced by industry and of the need for a Community approach.

Industry leaders have expressed concern at the attacks being made by the Japanese on particular sectors of industry and at the growing trade imbalance which in the United Kingdom this year is likely to reach £1,400m and for the EEC's trade with Japan a total of £5,000m.

Speaking after their meeting with Mr Biffen, Sir Terence Beckett, the CBI's director-general, said: "There is very distinct Government support for our concern and what we want to do is to have import controls. But we do want the Japanese to understand our position."

Industrialists' fears have been heightened by the sharp deterioration in the United Kingdom's trade deficit with Japan in the first two months of this year and by the possible repercussions for Europe of the recent pact between Japan and the United States for Japan to restrict car shipments to North America.

But Mr Biffen emphasized the importance which the Government attached to the voluntary agreements, which cover about 25 per cent of Japanese imports into Britain, including cars and certain consumer electronics.

Britain's concern will be strongly expressed during ministerial discussions next week when Mr Zenko Suzuki, Japanese Prime Minister, and other Japanese ministers visit London.

The next occasion will be the summit meeting in Ottawa next month where Japan is scheduled to present a paper on international trade. By that time British ministers are hopeful that the Community and the United States can agree a common approach.

Rising Sun and solar energy, Business Diary page 19.

Lotus in new car deal with Toyota

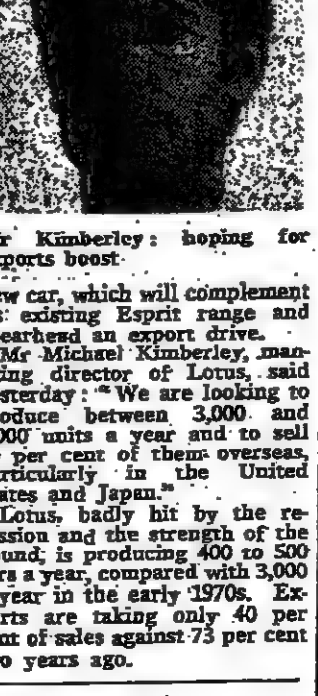
By Peter Waymark

Lotus, the sports car manufacturer, has signed an agreement with Toyota which could lead to the Japanese company supplying engines and other important components for a new Lotus model in the mid-1980s.

Lotus has been evaluating 1.6 and 2-litre twin overhead camshaft units from Toyota for a new car, which will complement its existing Esprit range and spearhead an export drive.

Mr Michael Kimberley, managing director of Lotus, said yesterday: "We are looking to produce between 3,000 and 5,000 units a year and to sell 70 per cent of them overseas, particularly in the United States and Japan."

Lotus, badly hit by the recession and the strength of the pound, is producing 400 to 500 cars a year, compared with 3,000 a year in the early 1970s. Exports are taking only 40 per cent of sales against 73 per cent two years ago.



Mr Kimberley: hoping for exports boost

Call for customs duties to benefit Third World

From John Earle, Rome, June 9

Signor Umberto Agnelli, Fiat deputy chairman, today proposed that Japanese products entering Western Europe and North America should be subjected to customs duties which would be used for the benefit of Third World countries suffering from the effects of Japan's trading behaviour.

At the same time, social welfare levels in the West should be cut to increase productivity. Resulting increases in the gross domestic products of Western countries should also be spent on productive investment in the Third World.

Signor Agnelli, younger brother of the chairman of Italy's biggest private company, was speaking at a seminar on West's economic relations with Japan two days before the arrival of Mr Zenko Suzuki, the Japanese Prime Minister, who is touring European capitals, including Brussels.

Japanese sales penetration was encroaching destructively on European productive capacities, Signor Agnelli said. It was reckoned that every 100,000 Japanese cars imported caused the loss of 13,000 jobs.

Safeway's £20m plan for 14 new stores

By Derek Harris, Commercial Editor

Safeway Food Stores, the United Kingdom subsidiary of the United States-based Safeway stores group, is to spend more than £20m to the end of 1983 on building 14 new stores in England and Scotland, creating 1,610 jobs.

It is part of a longer-term investment plan which is expected to increase Safeway's number of stores by more than a half by 1986 when the chain expects to have 140 outlets. Retail spending by them is expected to be in excess of £70m.

Safeway, which claims 2.5 per cent share of the grocery and fresh food market, is among the top eight multiple chains in Britain. The store openings to 1983 will increase its selling area by nearly a fifth because most of the new developments are in the superstore league.

They will include in-store bakeries and off-licences. Some will also have pharmacies, the first being at Livingston, West Lothian, where a new store is to open next month.

Only one other multiple chain, BATA's Mainstop superstores, has plans so far for in-store pharmacies.

Another Safeway Store in Scotland will be at Falkirk, the others in the 1983 development programme being at Blackheath, London; Abbeydale, Gloucester; Leigh-on-Sea, Essex; Farnham, Kent; Walton-on-Thames, Surrey; Larkfield, Kent; Barbican, London; Verwood and Bearwood, Dorset; Moreton, Wirral; Acocks Green, Birmingham; and Wiltshire, Gloucestershire. Six of the stores are expected to open this year.

Most of those in the 1983 programme have selling areas of 20,000 square feet or more.

All feature extensive car parking in line with current thinking on superstore developments which tend to attract car-borne shoppers on their monthly or fortnightly buying expeditions.

US BANKS' FACILITIES EXTENDED

Washington, June 9.—The Federal Reserve Board has unanimously authorized American banks to establish international banking facilities in the United States from December 3.

In approving the facilities, the board said it would assure that the facilities participate only in international banking and thus are not used to evade controls on domestic banking.

The facilities would accept international deposits and make loans free of domestic United States reserve requirements and interest rate ceilings.

Establishment of the facilities has been sought by a number of domestic United States banks especially in New York as a means of competing more effectively in Euro dollar banking.—AP-Dow Jones

EIS

Group Ltd

Process, Mechanical and Aircraft Engineers

At the Annual General Meeting of Electrical and Industrial Securities Limited, held on June 9th, it was resolved to change the name to EIS Group Limited, and the Chairman, Mr. M. O. Walters, reported that:

- * For the ninth successive year, EIS increased its turnover, profits and dividend.
- * The Rights Issue was fully taken up and the proceeds exceeded £2.1m.
- * Premier Precision Limited and Horstman Defence Systems Limited have been successfully integrated into EIS.
- * EIS Group turnover and profits are ahead of last year.

Copies of the Report and Accounts are available from the Secretary, 6 Sloane Square, London SW1W 8EE. Telephone: 01-730 9187

PRICE CHANGES

Rises					
AAC	22p to 681p	Peko Walsend	10p to 505p		
Barclays Bank	13p to 413p	Polly Peck	25p to 288p		
Rk of Scotland	20p to 372p	Centrust	27p to 367p		
Cornell Crossed	10p to 153p	Standard T Chart	10p to 637p		
Global Nat Res	20p to 920p	Vosper	10p to 150p		
Falls					
Cawoods	12p to 200p	Metal Box	10p to 184p		
Crouch D	15p to 201p	MM Holdings	9p to 279p		
Dixons Photo	9p to 161p	Nigate Explor	15p to 353p		
Kode Int	10p to 303p	Shell Trans	6p to 346p		
ICI	6p to 276p	Union Discount	10p to 448p		

A personal letter to win £40m bus order

Leyland resorts to new tactics

By Clifford Webb, Midlands Industrial Correspondent



Leyland's new double-decker bus on a passenger trial in central London.

Leyland Vehicles yesterday resorted to unconventional tactics to win a £40m order for 525 double-decker buses which could be decided by the West Midlands Passenger Transport Committee today.

It is the largest order to be placed this year and covers deliveries over the next three years.

Leyland dispatched a car and driver from its headquarters at Leyland, Lancashire, to make a 250-mile round trip to deliver a personal letter from Mr Ken Maciver, managing director of Leyland Bus, to each of the 16 members of the committee.

The letter noted with concern that recent statements in the press implied that preference would be given to a local bus manufacturer (Metro-Cammell, Birmingham) to protect jobs in the area.

Mr Maciver pointed out that the £75m Leyland spent on West Midlands components last year was far more than the value of Leyland buses and trucks sold in the area.

If Leyland adopted a policy of not buying from those areas where the local authority did not permit it to compete on its commercial merits the consequences for the West Midlands would be serious.

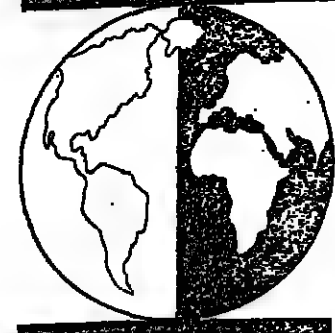
He warned that the bus industry was through a crisis in which survival in its present form could not be taken for granted.

"The orders currently being placed by the Passenger Transport Executives and other major operators which are 50 per cent down in some cases will not support bus manufac-

ture on its present scale and contractions and reductions are now inevitable."

The letter added that the placing of orders for purely local interests would lead to a fragmentation of the bus industry.

What was at stake was nothing less than the survival of a British bus industry which could fend off foreign competition and compete effectively in export markets with all that entailed for the components industry.



US urged to act on money rates

Sharp differences on monetary policy emerged between the European Community and the United States during a three-day conference of monetary experts in Bruges, a commission official said.

European monetary experts were increasingly critical of the Reagan Administration's policy of "benign neglect" on monetary issues, Mr Michel Vanden Abele, adviser to Mr Gaston Thorn, President of the Commission, said.

The European experts urged the United States to abandon its policy of non-intervention in monetary matters, arguing that President Reagan's policy has led to instability in foreign exchange rates.

Accord in Tokyo

Dr Otto Lamsdorff, Economics Minister of West Germany, and Mr Toshio Komoto, director-general of the Japanese Economic Planning Agency, agreed in Tokyo that high United States interest rates have been impeding the sound development of the world economy.

Steel for China

Six Japanese steel manufacturers are to export 450,000 tonnes of rolled ordinary steel to China for July/September shipment at prices almost unchanged from previous contracts, Nippon Steel Corporation said.

Norwegian ship order

K-S Dvigl Swan of Norway has ordered two 33,000-ton multi-purpose product carriers, each valued at \$37.5m (£19m) from Samsung Shipbuilding companies of South Korea.

Denmark's exports

The Danish Federation of Industries says there will be hardly any increase in Denmark's industrial export this year, and it also gave warning to the minority Social Democratic Government against new increases in direct or indirect taxes.

Spanish wages deal

A broad-based agreement has been reached in Spain that should guarantee export-led growth in 1982. It was drawn up by the Spanish Government, the National Employers' Confederation and the country's principal unions and is due to be signed in Madrid in the next few days.

Licensing move

Mr Eiji Toyoda, president of Toyota, indicated that Ford may not be prejudiced against concluding a licensing agreement instead of setting up a joint venture company to build Toyota cars in America.

Arbitration talks fail

Australia's Arbitration Commission has failed to end a nine-day wage dispute that has crippled the country's communications network, industry sources said.

Gold holdings up

South African gold holdings rose 25,083m rand (£14.3m) in May to 4,410m rand from 4,384m in April, the Reserve Bank said.

Dutch savings plan

The Dutch finance ministry has suggested ways for the new Government to reduce between 13,000m guilders (£2,435m) and 24,000m guilders from public spending during its four-year term.

Crude imports down

French crude oil imports declined by 13.6 per cent during the first four months of this year, while the oil import bill rose by 25 per cent.

Ecuador cuts output

Ecuador has announced an immediate five per cent cut in its daily oil production to 212,000 barrels a day from 228,000.

Yen loans to resume

Japanese banks expect to be able to resume supplying yen syndicated loans to overseas borrowers.

Lloyd's sets July date for ballot

By Richard Allen
Lloyd's has chosen July 17 for a ballot of members which will decide the fate of the insurance market's controversial self-regulation Bill.

This is three days before Lloyd's representatives are to return to the Commons to give the market's response to parliamentary demands for two big changes in the Bill.

Yesterday Lloyd's members voted in favour of the introduction of a new by-law which will permit postal votes in the ballot.

But under Lloyd's present rulebook, a further vote will have to take place on June 17 to confirm this decision and then the by-law will have to be approved by the Recorder of London.

Assuming these procedural matters are thrashed, Lloyd's 20,000 members will be asked to vote separately on parliamentary demands: first for an amendment forcing investment by brokers of their underwriting interests and secondly on a clause preventing agents who act for underwriting names from managing syndicates.

It is by no means certain that a majority of members will give approval on both counts even though the Bill could fail as a result.

Although it has accepted the investment demands, the Lloyd's committee is known to be unhappy about the call for a split between the functions of different agents in the market.

TOYMAKERS PLAN FOR EXPANSION

Hornby Hobbies, once the jewel in the collapsed Dunbeath-Combs-Marshall group, which was bought out by its directors and employees, has started expanding the workforce. The company was saved from the receiver's hands only a week ago, with the backing of a group of investors led by Guidehouse Ltd, and Citicorp Development Capital. It is now planning to increase its 1,300 workforce by 60.

Mr Ken Maciver, Hornby's managing director, who led the successful £5m rescue bid, said: "We are now in a position to open our door a bit after a difficult period." At its height in 1979, the toy manufacturer, which makes toy trains and cars, employed more than 2,000, but since then has seen sales slip by 20 per cent in real terms.

The Margate-based company is now expecting sales in excess of £20m this year and is on line to make up to £1.5m profits. This compares with sales in 1980 of £17m and profits of only £500,000. The expansion plan reflects an improved order book, despite a shrinking market.

Price for Burmah's BP stake 'not unfair'

An adviser to Burmah Oil said in the High Court yesterday he did not consider the price paid by the Bank of England to Burmah for the company's 20.1 per cent holding in BP was unfair.

Mr Robin Broadley, of Baring Brothers, appearing for Burmah, was asked by Mr Donald Rattee, QC, for the Bank, whether he would suggest the deal had been unfair.

"No, I have never suggested that," Mr Broadley said. He agreed that he had known that the Bank, which stepped in with a rescue package for Burmah, always needed Government approval of any deal.

"So the Bank offered the best deal it could within the confines of the Government's control," Mr Rattee asked.

"Yes, that is right. We did not know as much as we do now about the liabilities of the Bank," Mr Broadley replied. Burmah is asking Mr Justice

Walton to order repayment by the Bank of the current value of the BP holding, now put at £1,000m. The Bank bought the shares for £197m in January, 1975, as part of the rescue package to prevent the company going into liquidation.

The Bank is resisting Burmah's claim that the deal was unfair because the Bank took advantage of the company's distressed state and that the deal conferred undeserved advantage on the Bank.

Mr James Lumsden, Burmah's chairman at the time of the sale, said he did consider the deal was unfair. "It was an unrealistic price for a holding in BP of this size," he said. "The Bank under instructions from the Government bought the shares at below the stock market price."

Mr Lumsden said he felt Burmah could have received a premium price for the holding, given more time.

Hanson to sell US plant

By Rosemary Unsworth

Hanson Trust, the industrial holding group, is to sell for £25m cash a Texas cement and ready mixed concrete business it acquired last January.

The business, which has a net book value of £13m, was taken over when Hanson bought McDonough Company for £74m. It is selling the Houston-based part to Marzac, a company owned by one of the McDonough family shareholders, Mr Bernard P. McDonough.

The cement and ready mixed concrete business made £1.05m pretax profit, about 10 per cent of McDonough's profits, last year, on turnover of £36.5m. Mr Martin Taylor, of Hanson, said last night that the group would be left with the shoe and hand tools side of McDonough, which provides the balance of the profits.

Putting a value on credit cards

From Mr D. J. Armour

Sir, It is welcome news that the Department of Trade is reconsidering its position over credit card trading (May 30). The rather naive assumption behind the Monopolies and Mergers Commission recommendation (that cash discounts be permitted) was that the customer would benefit from the discounts which retailers would offer on being freed from the credit card companies' insistence on their transactions being at the same terms as cash or cheque sales.

Instead, as anyone involved in retail business could have foreseen, petrol customers at most garages have been paying surcharges; in effect, paying the commission charge for the garage.

Credit card transactions should be a very welcome form of business to any retailers, particularly extended-service petrol retailers who rely heavily on casual labour to keep going, principally because the credit card transaction is 100 per cent secure for the retailer as long as he follows a few common sense rules.

It may not be appreciated

generally that credit card vouchers are treated as cash at banks; the account of the payee is credited immediately (cheques can take several days to be cleared). However, the credit card voucher possesses none of the disadvantages of cash; it has no value except to the payee and no float need be kept to meet change requirements.

In a case of doubt for example, card date-expired transaction need not be refused; a short telephone call will usually transfer the risk to the credit card company. With more widespread usage of cards the habitual Saturday evening journey to the night safe or expensive cash collection by secure vehicles would become unnecessary for the retailers.

These are the advantages which the retailer gets from his credit card business (apart from the question of extra sales); well worth the commission charge, I suggest.

Yours faithfully,
D. J. ARMOUR,
64 Elton Close,
Hampton Wick,
Kingston, Surrey.
30 May.

French way of doing business

From Mr F. S. Law

Sir, You very kindly allowed me to use this column on a previous occasion, when I pointed out the very impressive, also almost ruthless, way in which the French deal with "overseas projects".

The recent reduction in the sales agreement with the United Arab Emirates must surely teach us a lesson.

In France, the cooperation between industry and government departments is very close and has reached a level of total confidence between the parties concerned.

I know of cases where the French Government, through one of its ministers, made sure that competing firms would not only form a consortium, but would be completely open with each other in their pricing policies, and having reached agreement, would then jointly use the help of one of the major banks to produce a package which was so attractive that the prospective customer had no alternative but to accept it. It struck me as an admirable example of how national priorities override individual companies' aims and ambitions.

Just as important is the fact that no minister in France will be allowed to make a statement about a contract as yet unsigned by the prospective customer. The discipline shown particularly under President Giscard, on this issue, was quite astonishing. Yet the French seem to have understood that, when dealing with Middle East countries in particular, it is very unwise indeed to make premature announcements of one's success, before the customer has actually signed the contract. A premature announcement may well endanger the contract being signed at all.

We must hope that the example of the United Arab Emirates contract will serve at least as a lesson to be remembered on future occasions.

Yours faithfully,
F. S. LAW,
61 Cadogan Square,
London, SW1.
June 2.

Panaceas of the thirties

From Miss Heather Harvey

Sir, In the almost prehistoric times when I read economics at Cambridge, we were told to eschew what was called "the work-fund fallacy". Briefly, if crudely described, this fallacy maintained that there was in the economy a static volume of available "work", and that unemployment could be alleviated, if not eventually cured, by redistributing that "workfund" among the labour force by abolishing overtime and shift-work, lowering the retiring age, and generally employing three workers to do what two had done before.

This proposition, we were told, ignored its own consequences: lower return on fixed capital, higher unit costs, reduced demand reduced employment, etc. Other things, in the ritual phrase, were not going to stay equal but would enter a declining spiral.

On the other hand, I see little or no analysis of why circa 10 per cent unemployment persisted into the outwardly booming years 1938 and 1939. The question nagging me is this: is the British economy and its unemployment problem now and was it in 1939, only curable by a war?

Yours faithfully,
HEATHER HARVEY,
15 Pelham Place,
London SW7 2NQ.
May 23.

Servicing the balance of payments

From the Chairman of the Committee on Invisible Exports
Sir, The Director-General of the National Economic Development Council (NEDC) is reported in your issue of June 5 as pressing for an urgent review of Britain's "poor performance in service industries". Before it comes to such a depressing conclusion, one hopes that the NEDC will differentiate, in the analysis, between the Government ser-

vice sector, the domestic distributive sector and the financial and commercial sector on which over one-third of the country's total foreign income (known as invisibles) depends.

Significant parts of the financial sector in the City of London and of the professions can claim a far higher foreign income per head than manufacturing industry and with no import bill to spend of. The service trades cannot provide an

alternative source of employment, on the scale the country now urgently needs, as Mr Chandler rightly says. But several of them remain as dynamic as any in the world.

Yours faithfully,
FRANCIS SANDLANDS,
Committee on Invisible Exports,
7th Floor,
The Stock Exchange,
London EC2 1HH.
June 5.

Shippers get tough on freight rates

By Michael Bailey

Britain's leading shipping lines already reeling from the effects of the seamen's strike and moves at the United Nations Conference on Trade and Development, face an aggressive new stance from their customers—the United Kingdom Importers and exporters, through the British Shippers' Council.

The United Kingdom exporters can no longer afford to pay up to 40 per cent more on export shipments than their continental counterparts, Mr John Elliott of Metal Box, the Shippers' Council's new chairman, made clear yesterday.

The council would be scrutinizing every penny spent on freight rates from now on, he said.

With names like Sir David Orr of Unilever, Sir Maurice Hodgson of ICI, and Sir David Steel of BP on the governing body, the council does not lack clout.

With recession biting deeply into company profits, the old cosy relationship between the United Kingdom's shippers and shipowners was over, Mr Elliott said. The council would be looking closely at issues like higher rates from the UK and Europe within the same conference; inflexibility of conferences; and 100 per cent loyalty agreements demanded of customers.

Already the council has approached foreign lines operating outside the United Kingdom conferences and would be prepared to commend those that prove responsible and reliable to its 16,000 members, Mr Elliott said.

"We are not anti-conference, because we recognize that

conference lines provide regular service to destinations all over the world and that costs money," he told a London press briefing to launch the new-look council.

"We do not want a free-for-all on rates—there could be recipe for disaster because reputable lines might disappear and the new ones would hoist freight rates even higher. But there must be a relaxation of both the extent and duration of loyalty agreements."

The United Kingdom exporters had recently found they were paying higher rates than continental firms on exports of machinery, steel, and chemicals among other things, and had lost potential markets overseas. Of four conferences approached by the council two—South and East Africa—admitted that rates from Europe had been depressed by outside competition but declined to bring down the United Kingdom rates. Two more, to the Caribbean and South America, denied there was any disparity in the United Kingdom and continental rates.

The council was taken over by the Freight Transport Association two years ago and owes its new, aggressive attitude to the staff put in by FTA to scrutinize shipping services available to British industry.

"There has been a feeling in the past that the council was totally protective of conferences," Mr Elliott said. "We see ourselves now as representing to the shipper a very competitive world market and we hope to take the conferences with us."

Business appointments

Town and Country names chief executive

Mr Joe Bradley has been made chief executive of the Town & Country Building Society. He is presently a general manager of the Nationwide Building Society.

Mr J. A. Nutt is to succeed Mr F. B. Doyle as chairman of Booker McConnell's engineering division. Mr Doyle is leaving on August 31 to become chief executive of the Social Democratic Party.

Dr A. G. Raper, chief executive of the Davy engineering and construction companies in the United Kingdom, has joined the board of Davy Corporation.

Mr P. T. Wright is retiring from Sedgwick Group on June 30 but will remain on the board as deputy chairman and a non-executive director until the end of the year.

Mr Ian Orr-Ewing, managing director of Anchorpac, the Boughton waste compaction equipment manufacturing company, has been appointed a director of Hearncrest Boughton. Mr Keith Purkiss, managing director of Hearncrest

Boughton, has been appointed a director of Anchorpac.

Mr Jeremy G. Thorn has been elected director of marketing at Staveley Foundries.

Mr Michael Gabitass is to be a manager of the Swiss Bank Corporation from July. Mr Peter Christ is to become an assistant manager.

Mr Richard H. Tomlins has become a partner of Oscar Faber & Partners, the St Albans consulting engineers.

Mr Mark Vinty becomes a main board director of the Arrowcroft Group on July 1.

Mr Harold S. Elman is the general manager of Alico UK (American Life Insurance Co.).

Mr J. H. B. Kettleley, managing director of Rea Brothers, has been appointed a non-executive director of Dufay Bismastic.

Mr David Airey, managing director of Bibby Edible Oils, has been made chairman of the Seed Crushers and Oil Processors Association (SCOPA).

Mr J. W. Richardson-Hill has joined Antony Gibbs & Sons as

a director responsible for business development.

Mrs Helen Robinson has joined the board of Debenhams.

Mr W. M. Ritchie becomes managing director of John Davis & Son (Derby).

Mr Norman Hirschfield is now non-executive director of Merevale Properties.

Mr Peter A. Miller is the new deputy chairman of Arbutnot Investment Management Services.

Mr H. A. Rees has joined the board of C. H. Beazer (Holdings).

Mr Ivor Manley, a deputy secretary at the Department of Energy, has been made a part-time member of the United Kingdom Atomic Energy Authority.

Professor Bernard Atkinson has been made a director of the Brewing Research Foundation.

Mr J. P. U. Burr, a director of Bass, has been elected chairman of the BRF council.

Mr Martin Lampard is now a director of Allied British Corporation.

Mr W. F. Eales has been made secretary of BUPA. Dr D. L.

Gullick, former secretary, will continue as BUPA's executive medical adviser on a full-time basis. Mr Eales also takes over secretariatship of BUPA hospitals.

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Important notice to all

Eagle Star policyholders and business associates

Following the acquisition of a substantial shareholding in Eagle Star Holdings by the Allianz Insurance Company of Munich, Eagle Star wishes to assure its policyholders that the security of their contracts is in no way affected.

Eagle Star also assures its business friends and connections that its commercial independence will not be influenced in any way by this minority shareholding.

 **Eagle Star**

BY THE FINANCIAL EDITOR

Steadier course for gilts

The gilt-edged market's convalescence was taken a stage further yesterday, helped by another steady performance by sterling and better-than-expected figures on central government borrowing and money supply growth in May.

Even so, the implications from all this are still fuzzy. The underlying money supply is now supposed to have grown at around 3 per cent a month for the past three months, the kind of trend that sounds far too good to be true. To be fair to the authorities, however, they fully recognise that the margin of error may be wide, though they also feel quite strongly that the underlying trend has in fact been somewhat in the 6-10 per cent target range.

On the face of it, the May figures from the clearing banks, pointing to a seasonally adjusted fall of £100m in private sector lending look distinctly encouraging. But here again one is in the world of guesswork. Advances to manufacturing industry, for example, actually fell by £765m in the three months to mid-May. But how much of that was due to destocking, which may now be over—and how much to the effect of tax payments that have not yet been cleared? At the other end of the spectrum, moreover, one can even point to some quite disturbing developments, namely the apparent strength of personal-sector loan demand.

Meanwhile, the authorities seem to be reacting to the new firmness in period rates in the money markets by keeping ultra-short rates extremely soft. This should help prevent any danger of round-tripping over next week's June make-up day, as well as helping to contain any upward pressure on bank base rates. It is an easy game to play while the civil servants continue to disrupt revenue collection. But what happens when the civil servants return to normal working, or turn their attention to restricting government disbursements?

Bass Betting on Coral

A loss of £3.2m before depreciation from Coral reflecting the seasonal nature of its hotels and holidays was the main reason for the unappreciated reception given yesterday for half-year figures from Bass. For including Coral for three months and after a lower surplus on property and investment sales, pretax profits edged ahead by only £1m to £51.1m and the shares responded with a 3p fall to 242p.

However, the underlying trend from the original Bass activities is much better than these figures suggest. Without Coral, sales were 16 per cent higher at £770m and profits before depreciation up by nearly 19 per cent to £89m. There was a lower contribution from the original Bass hotels which have suffered from poor occupancy rates in the United Kingdom but the poor side has turned in a resilient performance.

Bass has shared in the national drop in volume with most of the pressure falling on its national brewers. But the group's big exposure to lagers—about two-fifths of production—has stood it in good stead, for larger volume has held level and a combination of pricing and internal measures has led to a small improvement in beer margins with overall market share unchanged.

Bass is reasonably confident that the decline in beer volumes is now flattening out, although the summer weather will be an important influence on the trend. But for the rest of the year Coral should be making a firmly positive contribution even if its profits will have little impact on earnings per share because of the share dilution following the acquisition. Full-year profits could be around £130m, to give a fully-ratified p/e ratio of a little over 12, while the one-tenth rise in the interim dividend assumes a 5.6 per cent yield, which is no more than a rating.

Allianz/Eagle Star Partial victory

Everyone must be pleased with the way Allianz's tender offer for Eagle Star Insurance went yesterday, although the German company's pleasure will be dulled by its failure to reach the 29.9 per cent target and possibly by having to pay the top price.

Despite the novelty of the tender offer

in this country the procedure seems to have worked as the Stock Exchange and the Council for the Securities Industry intended. There was no unseemly scramble just before the offer closed, and small shareholders figured prominently among those accepting the Allianz price. Just as important, five working days was long enough for Eagle Star to produce a defence, while short enough to force traders to make up their mind about the price. Indeed, Eagle Star's improved dividend and asset valuation must have been significant factors in persuading 72 per cent of shareholders to stay with the company.

What happens next will depend in the short run on whether Allianz decides to buy in the market, although under the new rules it has to wait five working days. In the longer run, the prospective yield of around 8 per cent and the asset figure of 450p a share should underpin the Eagle Star price. More speculative support will probably come from the possibility of a full bid by Allianz and the re-awakening of the composite sector.

Those who took profits from the Allianz offer will be looking to other insurers as investments. Sun Alliance, General Accident, Guardian Royal Exchange and Phoenix have all moved up since the purchase of Eagle Star shares started and Liberty Life has been quietly building up a 20 per cent stake in Sun Life. But a solid revaluation of the sector will only stem from others raising their dividends and, of course, from better profits.

Offshore Banking New York names the day

After a four-year gestation period, not to mention some last minute hitches, the Federal Reserve Board in the United States has finally given its approval for the setting up of international banking facilities in New York from December.

The idea of these offshore banking facilities is that by freeing the big New York money centre banks from the Fed's reserve requirements, interest rate ceilings and local taxation, they will be able to compete more effectively with foreign financial centres, as well as at home in the commercial



Mr. Patrick Neill, chairman of the council for the Securities Industry.

paper market. Henceforward, New York banks will be able to carry out their offshore business inside the United States instead of through overseas subsidiaries, where the loss of banking jobs has made the proposals of the New York banking lobby especially attractive to the New York state authorities.

Revolutionary as the proposals first seemed, most United States bankers are agreed that the initial impact will be limited. Certainly London's pre-eminence as a Euro-market centre is likely to be little affected and the main casualties will be offshore centres in the Caribbean which have increasingly been used as booking centres for Euro-market deals purely on tax considerations.

Domestically non-New York banks will be able to take advantage of the facilities through establishing Edge Act subsidiaries, but some of the regional banks are worried that their foreign deposits could be attracted away to New York. But the Fed has gone to great lengths to avoid any leakage from offshore deposits to the domestic money supply and the BIF's should not present any problems for the authorities over monetary control.

Why petrol will soon cost more

Malcolm Brown

The average motorist might have been forgiven for thinking that the petrol companies had taken leave of their senses. Headlines in the newspapers and on television over the past few weeks have been quite clear: the world is suffering an oil glut; there is too much crude oil around; producers have frozen their prices until the end of the year.

But yesterday there was a quite different story. Petrol prices will go up at the pumps at midnight tomorrow.

Even those blessed with only a rudimentary understanding of economics know that when there is a lot of a product on the market prices are driven down—not up.

So why will many of us be paying more for our four-star when we go to fill up the car on Friday morning?

The key to this conundrum is in two parts. First, there are a lot of different types of oil washing round the markets at present. Some is (relatively) cheap: Saudi Arabian crude costs \$32 a barrel. Some is much more expensive: North Sea oil is about \$35 a barrel (although the British National Oil Corporation has said its official price will go down to \$37.25 from July 1).

BP, the company which will be running the pump prices tomorrow night, is heavily geared to high priced oil from the North Sea. Other companies, such as Esso, Texaco and Mobil, have the advantage of lower-priced supplies from

Saudi Arabia. It is clear, then, that BP's costs are, for the moment, a good deal higher than those of its competitors.

The second part of the explanation lies in the fact that at present the petrol market is very flat—and has been highly competitive.

Since the mid-seventies the oil companies, at times of intense competition at the pumps, have subsidised dealers. In other words, they have been giving petrol to petrol stations at a discount. In BP's case, discounts at the moment range between 1p and 20p a gallon, depending on the location of the site and the ferocity of the local competition.

Subsidizing dealers

Anyone driving through the north-west of England, the Midlands, and even some parts of London recently will have been aware that prices are drifting downwards as petrol stations try to out their neighbours.

Four star petrol at 145p or 146p is not at all uncommon. BP, through its BP and National outlets, has been in the thick of the battle. Half of its 5,000 outlets have had price support arrangements.

It is not difficult to see where that sort of arithmetic leads. On top of their already relatively high crude costs—and the normal costs of refining and preparing the petrol for the pumps

—BP has had to bear the costs of subsidizing dealers.

So, of course, have many of the other big oil companies. But because companies like Esso, Texaco and Mobil have been able to draw more heavily on the cheaper Saudi Arabian oil the burden has not been so great for them.

The cost to BP is enormous. Yesterday the company disclosed that in the first three months of 1981 BP Oil lost £37m.

In deciding to drop its support scheme BP was aware that it was taking a very large risk. The key question for BP planners was obviously: what will the competition do?

The nightmare for an oil company making such a move is that other companies will do nothing or will increase prices but not by as much as the first company. In that event motorists would pretty soon vote with their vehicles and drive a hundred yards down the road to the cheaper station.

But that kind of strategy by the competing companies has its own risks. Market shares may change radically, but for how long? Changing supply systems to cope with additional business can be costly. The cost might be worth it if the companies felt sure they could hold on to the new business. But the international oil markets have been extremely volatile in recent years and another change in the relative prices of different

qualities of crude could send everyone quickly back to square one.

One factor which must have loomed large in BP's calculations, is that the fall of the pound against the dollar (in which oil is bought and sold) has in fact sharply increased the costs of all the companies.

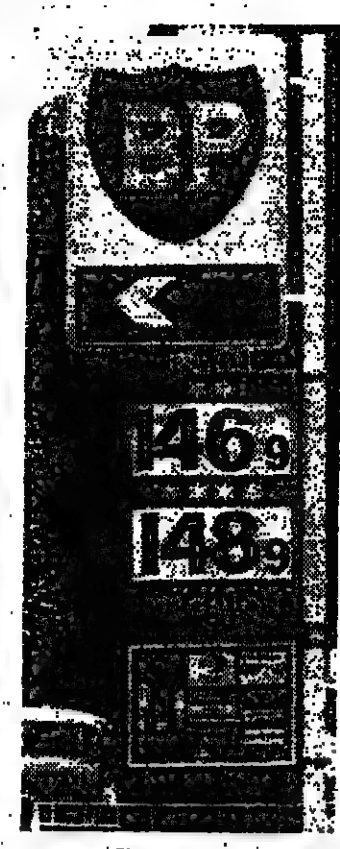
In short BP may be suffering more than most but it is gambling that others are not trading profitably either and will put their prices up if they possibly can.

North Sea prices

BP was saying yesterday that by dropping the price support system it was hoping to bring the petrol price was to an end. That, of course, would only happen if the other petrol companies follow their lead.

It can hardly be coincidence that BP has launched its initiative at a time when it is pressing the British National Oil Corporation to lower its (North Sea) prices even further than the £2 a barrel which BNOIC has said it is prepared to drop. But the company said yesterday that even a further fall in the oil corporation's price would not be enough to stop price increases.

BP is taking a gamble by pulling out of the price support scheme. The next few days should tell whether it was wise to take the risk or has simply let itself in for more trouble.



Signs at a BP filling station in London yesterday: prices may be 10p higher at the end of the week.

Swiss watches: a battle of ingenuity with the Japanese

Geneva. The heart of Swiss watch-making has missed a trick at the sight of half-a-dozen banks reluctantly forking out about £70m to keep one of the famous names of the business afloat.

The funds are for SSIH (Société Suisse pour l'Industrie Horlogère), which is the second-largest group which includes the Omega and Tissot factories.

The recent operation, which followed an emergency credit of some £5.5m at the turn of the year to cover salaries and pressing obligations, became a crisis when group losses in 1980 were finally established at £38m—after a mere £1m profit the previous year. With liabilities exceeding assets by almost £6m, shareholders—including some of the rescuing banks with a 30 per cent stake—had to step up to the fact that their capital must be regarded as 95 per cent lost.

"We could not have obtained this aid had we not been able to prove to the banks that our group will be a viable proposition for the Swiss watch industry as a whole," said Mr. Ulrich Doenz, SSIH general manager. "We shall have a much more aggressive attitude in coming approach for other two main brands, Omega and Tissot—marketing will be put before all other considerations."

Nearly half the losses were in writing-off the value of unsold stocks—a consequence of unpopular designs and styles. Turnover last year was 10 per cent down. Without the aid, the group would have been forced into liquidation with loss of some 5,000 jobs (about 3,000 of them in Switzerland).

Besides the financial transfusion, SSIH is also discussing arrangements for cooperation in research, development and possibly also in certain production lines with Swiss watch-makers. ASUAC (Allgemeine Schweizerische Uhrenindustrie)—its brands include Longines and Certina and some of the consortium banks

are among its shareholders—whose own profits have taken a knock. The two groups between them are responsible for about half the industry's total production.

These developments, however traumatic for the Jura, are only part of a process of change which has been under way for more than a decade. From more than 76,000 in 1974 the watch industry's work force is now about 45,000. The number of companies has shrunk in the same period from 1,177 to about 860. The Swiss produced 96.5 million watches and movements last year (81 million in 1979), against 87.3 million (62 million in 1979) by the Japanese—an increase for them of more than 40 per cent.

The two countries are now running a new arms race, each with about a third of estimated world production of 330,000. In 1973 the Swiss still held almost half of the market.

The force of Japanese competition is described by Le Suisse Horlogère, the industry's official organ, as "so strong, so meticulously organized and supported, that it is not a matter of industrial deployment but of calculated action to capture markets in their totality."

In coming years the challenge, it points out, the Swiss are at a disadvantage "because of more evolved social legislation, higher wage bills and less evident backing from government."

The Swiss industry as a whole, however, now seems fairly confident that the most painful phase of "restructuring" lies behind it, in particular the consequences of initially under-estimating the impact which quartz watches would have, especially digital quartz watches.

The proportion of electronic watches in this year's production will be between 25 per cent and 33 per cent.

"The industry has been concentrating heavily on technological development and has come out with new products and significant progress—for example, the world's slimmest watches," said an official of the Swiss Watchmakers' Federation. "We are now in process of putting these developments into production."

Where styling was concerned, he said, designers no longer took into account the basic technology, so that manufacturers could offer designs based on either mechanical or electronic parts. Customers in developing countries were still hesitant about quartz watches, because of the batteries and servicing complications. The Swiss industry was therefore pushing ahead with training programmes for dealers in those countries to help them to handle electronic watches as well as they could mechanical ones.

One new product just launched is a watch with reversible faces, one a traditional analogue type (with hands) and the other a digital one. Last year the Swiss marketed a solid state simulated analogue watch (where the hands are part of

a liquid crystal display) almost simultaneously with the Japanese. What both are after, of course, is the big advance when the figures or hands of the solid-state watch without mechanical moving parts will be inherently luminous, so as to be instantly legible under all lighting conditions. Success in that will bring enormous returns.

By comparison, refinements in the direction of new, slimmer watches have lesser sales potential though appealing to a lucrative sector of the market.

Meanwhile, the inner stronghold of the Swiss industry—safe for a long time yet, probably, against any Japanese attempt at penetration—is status symbol and jewellery watches. A leading Geneva manufacturer in the former category still regards the quartz analogue watch as "more delicate" than the self-winding watch on which its reputation has been built.

This confidence, however, seems to be based more on order books comfortably full for a year or so ahead than on scientific assessment of what the future may bring—such as electronic watches powered by heat from the human body.

For Swiss manufacturers in general a big worry is price. Late in entering the electronic field, the Swiss have not so far been able to compete with Far East or United States companies in cheaper products.

In medium-price categories they have only recently been able to offer serious competition against foreign imports in the shop windows of their own cities.

With the market for cheap watches kept more or less saturated, the Japanese companies are now reported to be opening a "third front" with higher-cost watches.

Alan McGregor

"Despite the impact of recession in the U.K., the Group's strong property base and overseas interests provide a firm foundation for future progress."

Mr. David Rhead—Chairman

PRELIMINARY ANNOUNCEMENT 1981

Year ended 31st March	1981 £m	1980 £m
Trading Profit		
- Investment Property	2.8	2.3
- Other U.K. Activities	3.2	5.9
- Overseas	1.3	1.0
	7.3	9.1
Interest	3.7	2.6
Profit before tax	3.6	6.5
Dividend per share	4.3p	4.3p
Net assets per share	100p	91p

INVESTMENT PROPERTY—Assets have been professionally revalued at £45m, providing a further surplus over book value of £7m.

UNITED KINGDOM—The conditions in the U.K. economy have led to a major downturn in Metals, whilst Construction, Distribution and Vehicle Distribution have performed well in very difficult market conditions.

OVERSEAS—U.S.A.—The Autoparts Superstore opening programme continues.

FRANCE—Increased investment strengthens base for distribution of D.I.Y. products.

DIVIDEND—The maintained dividend reflects the Group's confidence in the future.

lep

L.C.P. HOLDINGS LIMITED
PENNETT TRADING ESTATE, BRIERLEY HILL, WEST MIDLANDS DY6 7JZ

Business Diary: Rising sun and solar battery

While the barons of British industry were heading to John Biffen, the Trade Secretary, about the hiding they are getting from Japanese imports, a small group of invited academics were yesterday getting some idea of what is in store for the future.

The London branch of the Nomura Research Institute, one of the premier Japanese economic research organisations, launched its first European forum in London, entitled "Where is Japan heading?—Japan in the 1980s".

Amid all the arguments now raging between Tokyo and Brussels over their widening trade deficit the institute's Sadao Ohta, a senior consultant who worked formerly for Mitsui, was not particularly optimistic.

"European-Japanese trade frictions will continue for the foreseeable future as the trade imbalance and the productivity gap between them becomes bigger," he argued.

Meanwhile, with Japan totally reliant on imported raw materials and heavily dependent on imported food, her industrial experts have to find a home somewhere. In the technology field the Japanese are continuing to press ahead, especially in the area of alternative energy resources. Over the past six years, for example, no fewer than 1,507 patents have been lodged for solar heating systems.

The ramifications of solar power appear to be infinite and the repercussions for competitors considerable. With usual Japanese courtesy, Nomura presented each of the seminar participants with a pocket calculator—solar-powered, of course.



"You've read Sir Fred Hoyle's prediction that an ice age is imminent? I want a cooling for igloos on my desk by tomorrow morning."

It has been two months now since last I set foot in the basement of this page thanks to a bout of hepatitis. Among the messages of sympathy was some advice from Business Diary's cartoonist, Glyn Wall, who wrote to say that "the daily grind is like a cold swimming pool—so don't jump straight in, re-immersion yourself gradually." Some hope. Even before I got back the office was on the line, asking me to be sentenced to forgo drink for six months how to reply to an invitation from a distillery to celebrate their centenary with them.

I wish I had said no when asked if I was coming in by car on my first morning back

on Monday. I stopped on the way for a haircut and by the time I got back to my vehicle I had been clipped 16 by a meter maid.

The Monday morning feeling intensified on arrival at the office, where 17 minutes later the car was towed away by the police—another 135, thanks very much.

Over at the car pound I elected to pay by credit card. The policeman at the till did not say "American Express?" She put the card through the machine, filled in the forms and, when she came to the gratuity section, smiled sweetly and said "Any tips, sir?" I have: go by bus.

● Sir Fred Hoyle's prediction of a new ice age does not seem to dismay the world's leading solar energy experts. They are going ahead with their fourth biennial Solar World Forum in the appropriate month of August this year and, what is more, they are going to do so in Brighton, though, delightful as it is, it is decidedly on the nippy side compared with previous venues—Los Angeles (1975), New Delhi (1977) and Atlanta (1979).

The solar freaks will be chasing the sun yet again next time, round Western Australia being the host for the 1983 event.

In 1985, however, there will be an opportunity to discuss the implications of the ice age in appropriate surroundings, as Canada is likely to be the host country.

This year's forum is being organised by the United Kingdom section of the International Solar Energy Society and about 2,000 delegates and 150 exhibitors are coming from all over the world.

One of the speakers is Dr. Ru-Chen Chen, of the Guang Zhou Institute of Energy Conversion of the Peoples Republic of China. He should feel very much at home, not only because he will be among fellow specialists, but because of the form the exhibition accompanying the conference is to take.

The conference itself will take place in the Brighton Centre, but next door in the Metropole Hotel there will be an exhibition of more than 600 presentations about the latest in solar energy. Most will be in the form of display boards not unlike the wall posters of Peking and Shanghai.

● The indefatigable Geoffrey Smith, founder-director of the London Convention Bureau, was to have retired this year on reaching 65 in September.

He was then to have set up his own consultancy in convention marketing, having established London as a world-class conference centre. Now he is not only going to stay on until the new year but to take over as director of the bureau's parent body, the London Tourist Board, as well.

The present director, Rodney Scrase, steps down today having decided to retire at 60. Smith will do both jobs until successors are found. London expects about 20 million visitors this year, nearly three to each resident.

● Jims may have been wet and windy for most of us so far, but for Betty Worden, Kathy Bellerby, Eve Caldecott, and Cader Rawat it is the sunniest month they have had for four years.

They are the directors of Kersten Promotions, a company in Chessington, Surrey, which on behalf of manufacturers counts those "5p off next purchase" coupons that come in from retailers. This month they are declaring their first clear profit since they acquired the company when it went into receivership.

Betty Worden, now the managing director, began with Kersten as a part-time secretary. Kathy Bellerby, now coupon director, was a telephoneist; and Eve Caldecott, administrative director, was then office manager. Cader Rawat joined Kersten as stock controller.

The company ran into financial difficulties, losing the jobs of these four and more than 50 other employees at risk. But they managed to talk the NatWest into helping them acquire the company.

Mrs Worden told me yesterday that they have now paid off the bank.

Correspondents were always misspelling my name, even before my recent absence through illness. I was not surprised therefore to receive a letter yesterday addressed to "Roth Davis"—and still less so, that it came from a computer company, C/WP Computers, and was about the advantages of word processing. Maybe their computer had a lip.

Ross Davies

Stock markets

Banks and insurances sparkle

The tense international situation and the already unsettled market sentiment led to another day of dull trading. An initial flurry of activity was seen in banks and insurances, but otherwise business remained at low levels. Even the encouraging banking and money supply figures failed to stir interest in leading equities. Fears of the prospects for interest rates and currency movements continued to dampen enthusiasm, which was further depressed by the crucial meeting taking place in Poland and the outcome of the Israeli raid in Iraq.

Speculation later in the day that BP could launch a £150m rights issue today was another restraint to trading, although the rumours may be false. A BP spokesman refused to comment on the possibility. But the rumours were enough for the oil sector to reverse early gains despite BP's move to raise prices.

Interest was sparked in the banking sector by comment that a United States bank could bid for one of the clearers should the monopolies report on Royal Bank of Scotland give the go-ahead to Hongkong Bank. Jobbers reported large turnover. Bank of Scotland turned 20p to 37p and Midland ended 15p higher at 335p. Barclays advanced 12p to 413p, National Westminster 10p to 363p and Lloyds 10p to 353p.

The banking figures were, however, an encouraging sign for the gilt market. Long-term interest and after a rise to 11.1, finished up to 11.1. Short-term rates also reported reasonable demand. After a firm start, shorts dropped back to close 11 up on the day. But volatility was still unsettled by fundamental fears over an increase in M.L.R.

The FT Index started on a firm note with a 2.3 rise by noon at 550.1. But by 2 pm it fell 5, to finish 2.3 down at 545.6.

The insurance pitch had another busy, nervous day with dealers eagerly awaiting the tender. But Allianz just fell for 29.9 per cent of Eagle Star. Easie was suspended at 283p at 3 pm—the last opportunity for the tender. But Allianz just fell short of its target and now has a week before it can make any further moves.

Meanwhile, the other insurance stocks also showed a run of steam after profit-taking from the recent gains. GRE

closed unchanged at 306p, General Accident at 326p and Commercial Union down 2p at 171p. Royal secured at 390p and Phoenix at 286p. But Sun Alliance gained another 16p to 884p.

Suter Electrical, the group headed by Mr David Abell which took in Prestcold from BL at the beginning of the year, is regarded as a cheap buy at 74p after the March rights issue. According to brokers, Lyddon. They say the hairdressing side is still a cash generator, and Prestcold is poised for growth while property interests and the young management team auger well.

Dealers in the blue chip companies described another subdued day for the market. After a firm start, prices tended to drift during the day, to close off their best. ICI fell 6p to 276p and Fisons 2p at 148p. Court-aids gave up a 1p to 66p and Dunlop slipped 2p to 79p. But Unilever scored 5p to 576p and Hawker Siddeley continues to bounce back after recent comment, putting on 2p to 316p. BAT Industries gave up 4p to 361p.

Metal Box, on further consideration of the previous day's results, fell 10p to 184p. But Baxi, despite profits in line with expectations, eased 3p to 242p. Blue Circle was 4p up at 472p. After recent jet orders, British Aerospace went down 2p to 223p.

In engineering Vespas was a bright spot with a 10p gain to 130p helped by thin stock conditions. Otherwise jobbers saw little turnover. Tubes closed 4p down at 166p and GKN 2p down at 159p, but in the second-line stocks Howard Machinery gained 2p to 23p and Camford Engineering 1p to 221p.

Companies reporting and special situations provided much of the news. The 24m rights issue knocked 15p from Derek Crouch at 201p. An increased dividend saw Sketchley add 5p to 239p. Fading bid hopes upset Cawoods, down 12p to 200p, but a bid rumour denied added a 1p to Awn Rubber to 113p. Capper Neill, after the expected drop in earnings, eased 1p to 631p and Calfyns were unchanged at 126p despite the loss and dividend cut.

Speculative demand stimulated Mainhead 7p higher at 116p with results next Monday. GH Downing added 6p to 220p awaiting its defence document against the offer from Hanson Trust, which is at 200p a share. Rascal improved 6p to 366p after news that the Decca TV sale to Taurus has gone ahead. Comet Radiovision dropped another 5p to 134p on the large disposal by the controlling shareholder. Dixons were another dull spot 9p down at 163p.

RTZ continued to increase its stake to 12.2 per cent in Tunnel Holdings after the bid collapse from TW Ward. Tunnel firmed 2p to 442p but RTZ were 7p lower at 588p.

Trading news helped Brownlee, 2p to 741p, and Westland, with results today, saw shares up 1p to 155p.

Newcomer to the oil sector Bula hovered all day just above its placing price of 38p, and closed 39p, to the disappointment of many who banked on a good premium price.

Electricals saw Pico 10p

better at 193p but otherwise the sector saw mixed trading. Parnell were 3p higher at 482p. GEC 3p down at 685p, but Plessey 2p firmer at 317p. Thorn EMI dropped 5p to 385p.

The recent firm performance in the oil sector was affected by the close of trading by rumours of a rights issue from BP. Jobbers were cautious about the truth of this but reported good turnover. Prices drifted sharply by late afternoon and BP ended 8p down at 545p. Shell followed suite with a 6p fall to 346p, Lasso was 5p lower at 517p and Tricontrol dipped 2p to 220p. Ultramar was unchanged at 443p, but Berkeley Exploration fell 6p to 315p and Burnham 3p to 146p. KCA International eased 5p to 164p.

Properties scored mixed gains with MESP 5p better at 125p, Hammerston 4.7p a share, rise to 635p and Land Securities a 1p up at 380p. Stock Conversion stayed at 343p.

Equity turnover for June 8 was £110.797m (bargains 15,411). Active stocks were 1,541, according to the Exchange Telegraph. Rascal, BP, GEC, Plessey, Murdoch, Sun Alliance, Burnham, Thorn EMI, Distillers, Global Natural Resources, KCA International and GH Downing.

Traditional options: Dealers reported moderate activity. Calls were made in Premier, Transparent Paper, TW Ward, Burnham, Tube Investments, Courtaulds, Old Swan Hotel and British Land. Puts were made in 1.184 were completed. BP attracted 234p, Consolidated Gold 41, Courts 37, Commercial Union 49 and ICI 101.

Latest results

Company	Sales	Profits	Earnings	Div	Pay	Year's
	£m	£m	per share	pence	date	total
Archimedes (I)	—	0.072(0.604)	—	8.3(3.0)	10/8	(6.9)
Bass (I)	841(663)	51.1(50.1)	36.4(33.3)	2.53(2.3)	24/7	(8.6)
Brownlee (F)	23.6(24.7)	1.1(1.27)	10.9(11.4)	1.1(1.27)	24/7	3.73(3.54)
Calfyns (F)	0.69(0.6)	0.69(0.6)	—	2.1(2.1)	25/7	4.5(4.8)
Capper-Neill (F)	105(97.2)	3.8(3.0)	11.02(14.47)	2.12(1.1)	16/7	4.2(4.2)
Carr's Milling (I)	19(17.5)	4.8(0.56)	—	1.2(1.2)	14/7	(4.0)
Curry & N Town (F)	2.25(2.19)	2.84(2.32)	—	7.5(6.0)	—	10.5(10.75)
C. Downing (F)	17.6(16.8)	0.02(0.05)	1.55(3.59)	2.5(2.5)	10/7	4.3(4.3)
Garsons (F)	0.6(0.23)	3.6(6.5)	5.8(8.5)	0.8(0.8)	25/7	4.0(1.06)
L.C.P. (F)	206.3(216.7)	1.1(1.17)	—	6.2(5.2)	17/6	9(8)
T. Locker (F)	20.1(20.4)	0.1(0.04)	—	0.6(0.6)	28/8	(1.8)
Sketchley (F)	59.8(51.7)	0.56(0.86)	4.59(6.89)	0.6(0.6)	—	—
S. & U. Stores (F)	26.1(25.4)	0.3(0.32)	1.32(1.36)	—	—	—
Vectis Stone (I)	—	—	—	—	—	—

Dividends in italics show net of tax on pence basis. Elsewhere Business News dividends are shown on a gross basis. To establish gross multiply the net dividend by 1.428. Profits are shown pretax and earnings are net. * = Loss; † = Adjusted for scrip issue; ‡ = Gross revenue.

Vectis dips in first half

Vectis Stone, the Isle of Wight-based building products and services, fuel distribution and toiletries group, saw its pretax profits decline from £2,000 to £97,000 in the six months to March 31.

Moreover, the board warns there are no clear signs of any improvement and the year's pretax profits are likely to be less than last time's £815,000. Vectis is making an agreed offer for Blackgang Hotels in Vectis shares, with a cash alternative, valuing Blackgang at about £767,000.

Associate's loss hits T Locker

After exceptional charges of £134,000 and an associate's loss of £131,000 (against a £347,000 profit last year), pretax profits of Thomas Locker (Holdings) dropped from £1.7m to £1.1m in the year to March 31. Group turnover was almost steady at £20.12m, compared with 20.41m.

The total dividend of this group of screening and filtra-

tion engineers is unchanged at 1.51p gross. On a current cost basis, pretax profits are down from £915,000 to £541,000.

Brownlee dips but pays more

Pretax profits of Brownlee, Glasgow-based timber merchants, slipped from £1.7m to £1.4m in the year to March 29.

The total dividend, however, is being lifted, from 4.76p, adjusted for last year's scrip issue, to 5.28p gross. Mr J. F. McLelland, the chairman, reports that group is in a strong position to benefit from an upturn in demand.

Half-time slip at Carr's Milling

In spite of the sale of Carr's Milling Industries expanding from £17.63m to £19m in the six months to February 28, 1981, pretax profits fell by £80,000 to £480,000.

The interim payment is unchanged at 1.78p gross. The continued depressed state of the agricultural machinery market

together with pressure on flour margins towards the end of the half-year adversely affected results.

Calfyns halves final after loss

Although turnover of the Calfyns group of car agents and engineers rose from £31.86m to £35.74m, the group slumped into a pretax loss of £697,000 in the year to March 1, 1981, against a pretax profit of £604,000 last year.

The final dividend is being halved to 28p gross, reducing the total from 9.71p to 6.42p gross.

Western Selection rights issue succeeds

Following the recent rights issue to shareholders of Western Selection and Development of 2.47m shares at 30p each, a total of 2.28m (or 92.14 per cent) were taken up. Applications for 517,130 shares were received for the 194,886 new shares not taken up by existing shareholders.

Briefly

Manor National Group Motors: is still in a difficult trading situation. Its 1980-81 financial year, the first quarter is slightly down on the 1980 figures due to a shortage of vehicles, but problems are still present on the British Leyland side. An independent professional valuation of properties at December 31, 1980, has revealed a surplus of £1.0m.

Country and New Town Properties: Final 12p gross (1.0p gross) for the year to January 31. Pretax profit was £22.7m (21.0m). Profit after tax £17,700 (£16,000). Earnings per share were 2.84p (2.82p). The board intends to maintain increased dividend for 1981/2.

Cadbury Schweppes: Recent rights issue accepted as to 64.7m shares, about 87.5 per cent.

Local Authority Bonds: Interest rate on these issues of local authority yearling bonds is 13 1/2 per cent. Issue price is 100. (Last week 13 1/2 per cent at 100).

J. T. Parrish: Final dividend 5.7 gross (all) for the year to January 31. Turnover was £3.92m (£3.95m). Profit after tax £17,700 (£16,000). Earnings per share were 2.84p (2.82p). The board intends to maintain increased dividend for 1981/2.

Sentella's sales for the 17 weeks to March 30 show an increase of 6 per cent which it estimates is in line with the average price increase overall on the goods it sells. For the year as a whole much depends on its ability to achieve the right level of sales to provide an acceptable margin over and above expense levels. However, the board is confident of the prospects.

S & U Stores: Turnover for year to January 31 was £25.1m against £25.4m. Pretax profit was £269,000 (£263,000). Because of the reduced profit and the economic climate generally, the board does not recommend a restoration of the dividend.

Seaford Ltd.—Pretax profits for 15 months to Dec 31, 1980, £280,000 (£1.2m). Turnover: £13.2m (£10.38m). At the time the group joined the Over-the-Counter Market last Nov, it predicted pretax profits of £600,000 for the 15 months. Total dividend on the "A" ordinary shares is £1.50p, in line with forecast.

RTZ-Tunnel: At the close of business of June 8 Rio Tinto-Zinc held as an investment a total of 2.25m "B" ordinary shares of Tunnel Holdings (about 12.2 per cent of class and about 10 per cent of the votes attributable to the ordinary share capital of Tunnel).

Glanville Lawrence has purchased, from the receiver of J. Davy (Group) Ltd, freehold and leasehold land and buildings situated at 1/3 Pelham Road, Gravesend, Kent, together with certain items of plant, furniture, fixtures and fittings. The total cash consideration was £285,000.

SUMMARY BALANCE OF PAYMENTS

	1978	1979	1980	1st qtr	2nd qtr	3rd qtr	4th qtr	1981
Visible trade (balance)	-1.873	-3.487	+1.177	-368	-320	-516	+1,293	—
Invisible (balance)	+3.428	+3.510	+5.725	+963	+938	+655	+971	+1,036
Services	+1.752	+1.982	+4.548	+575	+575	+575	+575	+575
Interest, profits and dividends	+1.676	+1.528	+1.177	+388	+363	+80	+718	+461
Transfers	+2.549	+2.072	+1.588	+474	+414	+270	+628	+921
Current balance	+1.575	+1.425	+2.763	+96	+106	+888	+1,887	—
Current balance	+778	+1,425	+2,763	+96	+106	+888	+1,887	—
Investment and other capital transactions	-3,817	+1,488	-820	-340	+285	-242	-632	-2,584
Official financing	+1,203	-846	+180	+180	—	—	—	+158
Official reserves (drawings on, +)	+2,220	-1,059	-291	-457	-140	+225	+93	-319
Other official financing	-1,203	-846	-1,081	-522	—	—	—	-1,349
Balancing item	+1,015	+1,847	-742	+1,106	+214	-681	-1,411	—

— indicates not available

LCP down to £3.6m despite lift overseas

LCP Holdings, the property, vehicle distribution and special steel group, just failed to meet profit expectations at the year end despite increased contributions from property and overseas interests.



Mr David Rhead, chairman of LCP Holdings.

Pretax profits slipped from £6.5m to £3.6m with turnover down by £10m to £206.4m in the year ending March 31, 1980. But the final dividend has been maintained at 3.57p gross, making a same again total of 6.14p.

Investment property, which consists of five trading estates in the West Midlands improved its trading profit from £2.15m to £2.7m and now represents 38 per cent of the group compared with 23 per cent the previous year. Investment property assets have been revalued at £47.6m showing a £7.2m surplus over book value.

Property development profits were up from £275,000 to £354,000, but construction was down from £84,000 to £57,000 along with solid fuel distribution at £777,000, against £969,000. Metals turned in a £138,000 loss compared with a £125m profit in 1980 when the aftermath of the steel strike boosted the result.

Vehicle distribution also showed a profit decline from £2.7m to £1.6m, with commercial vehicles faring worse than cars.

Mr David Rhead, the chairman, said it was impossible to forecast any improvement in demand for many of the UK-based operations.

Overseas, there was a 3 per cent increase in profits from £788,000 to £814,000 as the French operation developed and expanded.

LCP's 40 per cent stake in the Whitlock chain of car parts stores in the US slipped in 1980, compared with £264,000. The group has now increased its holding to 49 per cent in the 50-store chain, and will go up to 67 per cent next April, with an option for the remaining equity.

Profits in the United States are set to double this year and, with the French side, provide the only note of optimism for prospects this year.

The metals division accounted for most of the 300 reduction in profits, with costs were taken mainly last year. Rationalization costs amounted to £145,000 against £1.6m borrowings increased last year and totalled £24m by the year end pushing the group up 44 per cent to just under 50 per cent.

Downing's broadside at Hanson

G. H. Downing gained the upper hand yesterday in its battle to fend off an unwelcome £12m takeover bid from Hanson Trust, the industrial holding group.

Shares in the Staffordshire-based brick group climbed another 4p, to close 18p above Hanson's 200p bid, after it reported profits up by a fifth to £2.3m in the year to March 31.

The firm's earnings rose up to 10.7p gross lifting the total for the year by a fifth to 15p gross. In a document urging shareholders to reject the bid, which went out last night, Downing's chairman, Mr D. Hartley, says that the bid would be of no benefit to the group to be acquired by a conglomerate like Hanson.

He adds that Downing has proved that it can develop and finance a comprehensive programme of modernization and yet continue to prosper even in a period of deep recession.

Bank statements for May

Statements of the London Clearing Banks and their banking subsidiaries in England and Wales, the Channel Islands and the Isle of Man made up to May 20 are summarized in the table below.

	Total	Change	Barclays	Lloyds	Midland	National Westminster	Other
Total deposits	90,165	+1,979	26,686	18,981	19,300	27,440	2,799
Current deposits	76,165	+1,979	26,686	18,981	19,300	27,440	2,799
Time deposits	14,000	—	—	—	—	—	—
Reserve deposits	—	—	—	—	—	—	—
Other deposits	—	—	—	—	—	—	—
Total assets	90,165	+1,979	26,686	18,981	19,300	27,440	2,799
Current assets	76,165	+1,979	26,686	18,981	19,300	27,440	2,799
Time assets	14,000	—	—	—	—	—	—
Reserve assets	—	—	—	—	—	—	—
Other assets	—	—	—	—	—	—	—

Sketchley raises payout

By Margaret Pagano

A higher dividend and virtually unchanged trading profits from cleaning group Sketchley yesterday helped its shares gain 5p to 239p despite reduced pretax profits. These were 10 per cent lower at £5.19m due to the group's loss-making Greaseters acquisition which has now cost a total of £2m since its purchase for £225,000 in 1979. Sales, however, reached a record level, rising 15 per cent to £58.8m.

Without Greaseters' £1m loss in the year to March 1981, trading profits were £7.3m compared with £6.7m in 1979. Interest charges at £980,000, about £250,000 from Greaseters charges, compounded further to depress pretax profits. Greaseters has been discontinued but for a small metal fabrication plant.

The final dividend is 8.85p, making a total gross payment for the year of 12.8p, a 12.5 per cent increase.

Mr Gerald Wighman, chairman of the dry cleaning, industrial workwear rental and textile finishing group, described the results as gratifying after the adverse results from Greaseters and a difficult year's trading.

It was the group's 519 High Street dry cleaning branches which suffered most from the recession. Profits there dropped to £1.7m against £2m in the previous year on sales £2m higher at £26.32m. Volume fell by about 8 per cent in the cleaning division. To meet this, the group has reorganised its operations throughout the year. These included retraining staff to combine sales work

with operating the dry-cleaning services, and involved cutting the workforce by 400 to its present 2,600.

Several new services are now under way. Five branches in the London area are experimenting with the "onsite" service, which allows customers to pick up articles after hours. Another, just started, is a new scheme for on-premises shoe repairs at competitive prices. The first opened at Horseferry Road, London, and others are to follow at King's Cross, Holborn and South Kensington.

Its recent bed linen service is proving successful and market research shows that 40 per cent of all householders now use the continental style bed coverings. Present trading is up to expectations.

Capper-Neill profit falls 25 pc to £3.8m

Capper-Neill, the designer, manufacturer and creator of the "Capper-Neill" brand, has reported a 25 per cent fall in profit for the year to March 31, 1980, and profits went down by a quarter.

Turnover rose by 8 per cent from £97.2m to £105.4m with the export content remaining steady at £32m, but pretax profits fell from £5m to £3.8m in the 12 months to March 31, 1980. The trading profit showed a small increase from £6.4m to £6.6m but interest charges, up from £1.1m to £2m, and redundancy costs of £1.1m, reduced the trading profit to £4.5m.

The group has shed 20 per cent of its workforce, mainly in the industrial and manufacturing divisions which have been hardest hit by rising costs.

The high interest rates pre-

vailing for much of the year were to blame for the increased charges, but borrowings rose, and pushed gearing from 20 per cent of shareholders' funds to 32 per cent by the year end.

Spending on plant modernization and new product development has remained at the previous year's level of around £2m.

The final dividend has been maintained at 3p gross which gives an unchanged total of 6p. The shares fell 1p to 631p after the announcement and the yield is 8.6 per cent.

The changes in stock relief have been reflected in the results with £1.6m released from the deferred tax provision which meant that £4.8m compared with £3.2m was available for distribution.

Derek Crouch plans £4.4m rights issue

By Catherine Goun

Opencast mining, earthmoving and civil engineering group Derek Crouch is raising £4.4m in a two-for-seven rights issue at 165p a share.

However, the Crouch family, with 53 per cent of the existing capital, and Prudential Assurance, with 13 per cent, have decided not to take up their rights. Merchant bank Hill Samuel succeeded in placing the £4.4m new shares involving a group of institutions yesterday morning, at a 16p premium to the rights issue price.

In the market, the shares dropped from 216p to 201p yesterday. A Hill Samuel spokesman for Derek Crouch stressed that the family's decision to sell their rights does not reflect any lack of confidence in the business.

He said that a good performance was expected this year. Last year the group made £3.04m before tax. The 1980 dividend of 7.21p gross will be maintained on the increased,

Commodities

[illegible]

Wall Street

Some wide swings occurred in currency dealings yesterday, sparked off by a comment by Herr Matthaeer of the West German Finance Minister, that the dollar is too high in terms of the mark.

Initially the mark declined to 24.10, but then recovered to 24.00, a special Bundesbank meeting (denied subsequently). It reached a new high in the morning, the closing level was 23.70, but ended at 24.01 (overnight 2.4060).

Despite overnight weakness in New York, the pound opened around \$1.9330 and reached a high of \$1.9550 before resiling to 1.9400. The dollar had changed on balance. The three-weight level ended 0.1 down to 94.6.

After showing substantial loss at first stage, the dollar rallied, but only modestly lower. The Swiss franc, 2.1105 (2.1245), regained a dollar gain, but the French franc, 6.55 (6.54), was unchanged. The yen fluctuated narrowly but slightly easier at 228.10 (227.50).

New York, June 8.—Stocks on the New York Stock Exchange closed lower with the index off 10 to 75.4 and the average price per share down 10 cents. The Dow Jones industrial average lost 1.20 to 294.44, and declines led advances 898 to 650 as volume rose to 44,500,000 shares from 41,580,000 yesterday.

Weakness was particularly evident in mining, cars, electronics and defense issues. Reflecting the decline in precious metals prices, Phelps Dodge lost 1½ to 391. Newmores slipped 1½ to 61 and Hecla Mining ½ to 154.

General Motors declined 1 to 55, Ford eased up to 53 and Chrysler slipped 1 to 51. The 5/4 in active trading. Honeywell dropped 21 to 57½ and Xerox was off 11 to 55. Burroughs slipped 1 to 49. It will close here and reduce employment at four others.

Blue Bell gained 24 to 29½. A privately held Texas company, Blue Bell is a major supplier of glass to acquire up to 50 per cent of Blue Bell's stock, Stride Rite rose 1 to 42½. It will close here. A firm issued a buy recommendation.

Oils were prominent on the active list, with Marathon up 3 to 49, Atlantic Richfield ahead 2 to 48½, and Occidental 1 to 47½. Up 11 to 31, Peacock dipped 1 to 36½, and Standard Oil of California lost 7 to 36½. Standard Oil of New York slipped 1 to 36½. Services jumped 31 to 45½ and Standard Oil of Ohio rose one to 44½.

US commodities

GOLD futures closed at \$460.50-\$462.00 on change. COTIACQ. 1MAY.

\$535.20	asked	Sept.	\$520.30		
bid	Oct.	\$555.40	asked	Dec.	\$565.60
bid	Jan.	\$571.10	asked	April.	\$580.20
bid	June	\$602.50	asked	July.	\$608.70
asked	Sept.	\$621.10	asked.		

NY COMEX. June. \$459.00; July. \$462.60; Aug. \$465.50; Sept. \$468.40; Oct. \$471.80; Nov. \$475.50; Dec. \$478.50; Jan. \$481.50; Feb. \$484.50; March. \$487.50; April. \$490.50; May. \$493.50; June. \$496.50; July. \$499.50; Aug. \$502.50; Sept. \$505.50; Oct. \$508.50; Nov. \$511.50; Dec. \$514.50; Jan. \$517.50; Feb. \$520.50; March. \$523.50; April. \$526.50; May. \$529.50; June. \$532.50; July. \$535.50; Aug. \$538.50; Sept. \$541.50; Oct. \$544.50; Nov. \$547.50; Dec. \$550.50; Jan. \$553.50; Feb. \$556.50; March. \$559.50; April. \$562.50; May. \$565.50; June. \$568.50; July. \$571.50; Aug. \$574.50; Sept. \$577.50; Oct. \$580.50; Nov. \$583.50; Dec. \$586.50; Jan. \$589.50; Feb. \$592.50; March. \$595.50; April. \$598.50; May. \$601.50; June. \$604.50; July. \$607.50; Aug. \$610.50; Sept. \$613.50; Oct. \$616.50; Nov. \$619.50; Dec. \$622.50; Jan. \$625.50; Feb. \$628.50; March. \$631.50; April. \$634.50; May. \$637.50; June. \$640.50; July. \$643.50; Aug. \$646.50; Sept. \$649.50; Oct. \$652.50; Nov. \$655.50; Dec. \$658.50; Jan. \$661.50; Feb. \$664.50; March. \$667.50; April. \$670.50; May. \$673.50; June. \$676.50; July. \$679.50; Aug. \$682.50; Sept. \$685.50; Oct. \$688.50; Nov. \$691.50; Dec. \$694.50; Jan. \$697.50; Feb. \$700.50; March. \$703.50; April. \$706.50; May. \$709.50; June. \$712.50; July. \$715.50; Aug. \$718.50; Sept. \$721.50; Oct. \$724.50; Nov. \$727.50; Dec. \$730.50; Jan. \$733.50; Feb. \$736.50; March. \$739.50; April. \$742.50; May. \$745.50; June. \$748.50; July. \$751.50; Aug. \$754.50; Sept. \$757.50; Oct. \$760.50; Nov. \$763.50; Dec. \$766.50; Jan. \$769.50; Feb. \$772.50; March. \$775.50; April. \$778.50; May. \$781.50; June. \$784.50; July. \$787.50; Aug. \$790.50; Sept. \$793.50; Oct. \$796.50; Nov. \$799.50; Dec. \$802.50; Jan. \$805.50; Feb. \$808.50; March. \$811.50; April. \$814.50; May. \$817.50; June. \$820.50; July. \$823.50; Aug. \$826.50; Sept. \$829.50; Oct. \$832.50; Nov. \$835.50; Dec. \$838.50; Jan. \$841.50; Feb. \$844.50; March. \$847.50; April. \$850.50; May. \$853.50; June. \$856.50; July. \$859.50; Aug. \$862.50; Sept. \$865.50; Oct. \$868.50; Nov. \$871.50; Dec. \$874.50; Jan. \$877.50; Feb. \$880.50; March. \$883.50; April. \$886.50; May. \$889.50; June. \$892.50; July. \$895.50; Aug. \$898.50; Sept. \$901.50; Oct. \$904.50; Nov. \$907.50; Dec. \$910.50; Jan. \$913.50; Feb. \$916.50; March. \$919.50; April. \$922.50; May. \$925.50; June. \$928.50; July. \$931.50; Aug. \$934.50; Sept. \$937.50; Oct. \$940.50; Nov. \$943.50; Dec. \$946.50; Jan. \$949.50; Feb. \$952.50; March. \$955.50; April. \$958.50; May. \$961.50; June. \$964.50; July. \$967.50; Aug. \$970.50; Sept. \$973.50; Oct. \$976.50; Nov. \$979.50; Dec. \$982.50; Jan. \$985.50; Feb. \$988.50; March. \$991.50; April. \$994.50; May. \$997.50; June. \$1000.50; July. \$1003.50; Aug. \$1006.50; Sept. \$1009.50; Oct. \$1012.50; Nov. \$1015.50; Dec. \$1018.50; Jan. \$1021.50; Feb. \$1024.50; March. \$1027.50; April. \$1030.50; May. \$1033.50; June. \$1036.50; July. \$1039.50; 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27	Fixed in Wd	112	112	
28	Fixed in Wd	112	112	
29	Fixed in Wd	112	112	
30	Fixed in Wd	112	112	
31	Fixed in Wd	112	112	
32	Fixed in Wd	112	112	
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97	Fixed in Wd	112	112	
98	Fixed in Wd	112	112	
99	Fixed in Wd	112	112	
100	Fixed in Wd	112	112	

157	24 1/2 Sal. Ball	197.7	201.3
158	24 1/2 Sal. Ball	197.7	201.3
159	24 1/2 Sal. Ball	197.7	201.3
160	24 1/2 Sal. Ball	197.7	201.3
161	24 1/2 Sal. Ball	197.7	201.3
162	24 1/2 Sal. Ball	197.7	201.3
163	24 1/2 Sal. Ball	197.7	201.3
164	24 1/2 Sal. Ball	197.7	201.3
165	24 1/2 Sal. Ball	197.7	201.3
166	24 1/2 Sal. Ball	197.7	201.3
167	24 1/2 Sal. Ball	197.7	201.3
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169	24 1/2 Sal. Ball	197.7	201.3
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176	24 1/2 Sal. Ball	197.7	201.3
177	24 1/2 Sal. Ball	197.7	201.3
178	24 1/2 Sal. Ball	197.7	201.3
179	24 1/2 Sal. Ball	197.7	201.3
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191	24 1/2 Sal. Ball	197.7	201.3
192	24 1/2 Sal. Ball	197.7	201.3
193	24 1/2 Sal. Ball	197.7	201.3
194	24 1/2 Sal. Ball	197.7	201.3
195	24 1/2 Sal. Ball	197.7	201.3
196	24 1/2 Sal. Ball	197.7	201.3
197	24 1/2 Sal. Ball	197.7	201.3
198	24 1/2 Sal. Ball	197.7	201.3
199	24 1/2 Sal. Ball	197.7	201.3
200	24 1/2 Sal. Ball	197.7	201.3

[illegible]

101	48.9	DO ACCUM	66.8	48.9
Norfolk Union Lumbering Corp				
102	25.5	DO	202.2	25.5
103	25.5	Norfolk Map	202.2	25.5
104	25.5	DO	202.2	25.5
105	18.6	DO Property	159.2	18.6
106	18.6	DO	159.2	18.6
107	18.6	DO Depreci	159.2	18.6
108	18.6	DO	159.2	18.6
109	18.6	DO	159.2	18.6
110	18.6	DO	159.2	18.6
111	18.6	DO	159.2	18.6
112	18.6	DO	159.2	18.6
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139	18.6	DO	159.2	18.6
140	18.6	DO	159.2	18.6
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169	18.6	DO	159.2	18.6
170	18.6	DO	159.2	18.6
171	18.6	DO	159.2	18.6
172	18.6	DO	159.2	18.6
173	18.6	DO	159.2	18.6
174	18.6	DO	159.2	18.6
175	18.6	DO	159.2	18.6

67.0	900.3	De (A)	922.5	14
69.6	180.2	Abh Mai PO (20)	189.6	23
69.1	159.8	De (A)	159.3	26
72.2	77.3	Investment	101.9	13
75.1	78.7	De (A)	150.5	12
84.7	155.4	Equity Fund	235.6	15
91.1	123.9	De (A)	251.3	18

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1921	1922	1923	1924	1925	1926	1927	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938	1939	1940	1941	1942	1943	1944	1945	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100	2101	2102	2103	2104	2105	2106	2107	2108	2109	2110	2111	2112	2113	2114	2115	2116	2117	2118	2119	2120	2121	2122	2123	2124	2125	2126	2127	2128	2129	2130	2131	2132	2133	2134	2135	2136	2137	2138	2139	2140	2141	2142	2143	2144	2145	2146	2147	2148	2149	2150	2151	2152	2153	2154	2155	2156	2157	2158	2159	2160	2161	2162	2163	2164	2165	2166	2167	2168	2169	2170	2171	2172	2173	2174	2175	2176	2177	2178	2179	2180	2181	2182	2183	2184	2185	2186	2187	2188	2189	2190	2191	2192	2193	2194	2195	2196	2197	2198	2199	2200	2201	2202	2203	2204	2205	2206	2207	2208	2209	2210	2211	2212	2213	2214	2215	2216	2217	2218	2219	2220	2221	2222	2223	2224	2225	2226	2227	2228	2229	2230	2231	2232	2233	2234	2235	2236	2237	2238	2239	2240	2241	2242	2243	2244	2245	2246	2247	2248	2249	2250	2251	2252	2253	2254	2255	2256	2257	2258	2259	2260	2261	2262	2263	2264	2265	2266	2267	2268	2269	2270	2271	2272	2273	2274	2275	2276	2277	2278	2279	2280	2281	2282	2283	2284	2285	2286	2287	2288	2289	2290	2291	2292	2293	2294	2295	2296	2297	2298	2299	2300	2301	2302	2303	2304	2305	2306	2307	2308	2309	2310	2311	2312	2313	2314	2315	2316	2317	2318	2319	2320	2321	2322	2323	2324	2325	2326	2327	2328	2329	2330	2331	2332	2333	2334	2335	2336	2337	2338	2339	2340	2341	2342	2343	2344	2345	2346	2347	2348	2349	2350	2351	2352	2353	2354	2355	2356	2357	2358	2359	2360	2361	2362	2363	2364	2365	2366	2367	2368	2369	2370	2371	2372	2373	2374
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Other

	Marketrates (day's range)	Marketrates (close)	1 month
New York	11,830-8980	12,390-9410	1,151.25c disc
Montreal	32,351-35350	32,330-3640	1,451.45c disc
Amsterdam	5,175-5811	5,181-5911	34 premium disc
Brussels	75,600-75,600	75,600-75,600	28 premium disc
Copenhagen	4,824-5214c	14,825-6714c	33-45c disc
Emilia	2,870-3870p	1,270-2755p	23-30c disc
Frankfurt	123.00-124.50c	123.00-124.50c	para-50 disc
Lisbon	123.00-124.50c	123.00-124.50c	60-125c disc
Madrid	124.00-128.10p	123.00-130.30p	120-150c disc
Oslo	11,554-5681	11,554-5630p	28 premium disc
Paris	11,05-121	11,04-091	13-16c disc
Stockholm	442-435	442-435	20 premium disc
Tokyo	442-435	442-435	2,400-400 prem
Vienna	32.95-32.205ch	32.95-33.00ch	5-10 prem prem
Zurich	4,38-125p	4,38-124p	17-18c prem

Markets	
Australia	1.7
Bahrain	0.7
Finland	8.7
Greece	113
Hongkong	10 71
Iran	Not
Kuwait	0.5
Malaysia	4.5
Mexico	4.8
New Zealand	
Saudi Arabia	6.5
Singapore	4.1
South Africa	1.8

Dollar Spot

English Guilder Index Changes		Rates	
sterling	84.6	• Ireland	1.5180-1
US dollar	106.5	• Canada	1.0082-0
Canadian dollar	87.4	Netherlands	1.0742-0
Scandinavia	111.2	Belgium	1.0742-0
Belgian franc	100.4	Denmark	7.46-3
Danish kroner	82.1	West Germany	5.400-3
Deutsche mark	116.6	Italy	63.25-5
Swiss franc	133.5	Portugal	200.00-0
Swedish krona	104.8	Spain	1740.00-1
French franc	83.1	Greece	53.60-0
Japanese yen	141.2	France	5.7100-5
		Sweden	5.0890-0
		Switzerland	2.0000-0
		Austria	1.2690-0
		Switzerland	2.1500-2

Based on trade-weighted changes from Washington agreement

Rates

* Ireland	1.5160-1.5
+ Canada	1.0000-1.2
Netherlands	1.0740-2.8
Belgium	34.10-34
Denmark	7.8530-7.5
West Germany	5.0000-1.4
Portugal	62.25-62
Spain	95.40-95
Italy	1780.00-1295
Switzerland	5.8500-5.8
France	5.7100-5.7
Sweden	5.0950-5.1
Japan	228.00-228
Austria	16.50-17
Switzerland	2.1090-2.1

Money Marke

Rates	
Bank of England MLR 12%	
(Last changed 18/3/81)	
Clearing Banks Base Rate 12%	
Discount Mkt Loans%	
Overnight: High 5%	Low 3
Week Fixed: 10	
Treasury Bills (Dis%)	
Buying	Selling
2 months 12½	2 months
3 months 12½	3 months

EMS Currency Rates

	ECU central rates	currency against ECU*	% change from central	% change adjusted†	divergence plus/minus
Belgian franc	40.7085	-41.3558	+1.37	+1.51	1.53
Danish krone	7.46	7.56049	+0.82	+0.66	1.46
German D-mark	3.36	3.33333	+0.82	+0.39	1.46
French franc	5.94562	-5.96329	-0.33	-0.13	1.34
Dutch guilder	2.12153	-2.14161	+0.17	+0.31	1.51
Italian lire	6.336	-6.36257	+0.13	+0.66	1.82
Italian lire	1262.92	-1267.55	-0.11	-0.03	1.17

† changes are for the ECU therefore positive change denotes a currency "adjusted" for sterling's weight in the ECU, and for the lira's weight divergence limits.

* adjusted against sterling by The Times.

change in central rate*	% change adjusted**	diverge (limit plus/mi)
+1.37	+1.51	1.53
+0.32	+0.66	1.64
-0.03	-0.39	1.14
-0.33	-0.19	1.363
+0.17	+0.31	1.615
+1.13	+1.27	1.693
-0.11	-0.03	4.11

* a positive change denotes widening of the ECU, and for the lira's width

Euro-\$ Deposits Gold

(%) calls, 18-19 seven days, 18-19 one month, 18-19-24; three months, 18-19; six months, 18-19-24.

Authorize

1989/1				1990/1			
High	Low	Offer	Trust	High	Low	Offer	Trust
Unskilled Seasonal Unit Managers							
20	20	20	20	20	20	20	20
123.6	123.6	123.6	123.6	123.6	123.6	123.6	123.6
123.6	123.6	123.6	123.6	123.6	123.6	123.6	123.6
87.3	87.3	87.3	87.3	87.3	87.3	87.3	87.3
56.7	56.7	56.7	56.7	56.7	56.7	56.7	56.7
32.9	32.9	32.9	32.9	32.9	32.9	32.9	32.9
17.1	17.1	17.1	17.1	17.1	17.1	17.1	17.1
6.3	6.3	6.3	6.3	6.3	6.3	6.3	6.3
Japan Growth							
U.S. Growth							
U.S. Growth							
Energy							
Exploration & Prod.							
Financial Inst.							
Int. Bond.							
Debt Income							

Gold

16	1980-93			17
	1980-89	Low	Offic Trust	
	126.8	109.3	Japan Growth	18
	107.9	64.1	U.S. Asia Growth	19
	107.9	64.1	U.S. Growth	20
	107.9	64.1	Commodity	21
	107.9	64.1	Energy	22
	107.9	64.1	Exploration P&I	23
	107.9	64.1	Financial Econ	24
	107.9	64.1	Int Bond	25
	107.9	64.1	Equities Int	26
	107.9	64.1	De Income	27

Authorized Units, Insurance & Offshore Fund

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ACCOUNT DAYS: Dealings Began, June 1. Dealings End, June 12. § Contango Day, June 15. Settlement Day, June 22.

§ Forward bargains are permitted on two previous days

INT

RECEIVED
DEPT. OF
CENTRAL

PLATE
NO. 6-54

PLEASE

JOHN

BOY

LEGAL APPROV

SOLICIT

Carers, Mrs.
Wentworth
James, Son
Legal Exec.
Domenico
Cale, Mrs.
Work
Phone
Mrs. Gilmore
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NAME AND EMB
APPROVING

OFFICIAL

JOHN D WOOD

KINGS LANGLEY—HERTFORDSHIRE

AN EXCELLENT SMALL ESTATE SITUATED IN A QUIET RURAL POSITION AND HAVING A SUPERBLY MODERNISED PERIOD HOUSE WITH A MAGNIFICENT INDOOR SWIMMING POOL, EXTENSIVE RANGES OF OUTBUILDINGS AND A LARGE AREA OF WOODLAND.

MAIN HOUSE: Hall, drawing room, panelled sitting room and study, dining room superb modern kitchen/breakfast room, utility room, cloakroom and cellars. 7 bedrooms, en-suite dressing room and 3 en-suite bathrooms. Oil fired central heating.

Attached pool house with excellent heated indoor swimming pool.

ABOUT 7 ACRES OF SECLUDED GARDENS AND GROUNDS.

GARDEN COTTAGE/GUEST HOUSE with 2 reception rooms, 3 bedrooms kitchen, bathroom and central heating.

2 FURTHER COTTAGES and 2 fine 18th century barns. Garaging for 5 cars. Stabling for 7 horses.

Large heated aviary.

HOME FARM with extensive range of outbuildings; Dutch barns, cowsheds, grain store and about 50 Acres of good pastureland.

Useful block of woodland with Go-Cart track and rough shooting potential, covering about 26 Acres.

THE ESTATE EXTENDS TO ABOUT 86 ACRES IN ALL.

Freehold for sale.

Berkeley Square Office (Ref. RSP).

EAST GRINSTEAD—SUSSEX

PART OF A GRADE II LISTED COMPLEX OF BUILDINGS CONVERTED TO AN EXCEPTIONALLY HIGH STANDARD.

2 bedrooms, bathroom, sitting room, 45ft. beamed dining hall, kitchen, cloakroom. Enclosed courtyard. Parking area. Gas fired central heating. Garden and use of 11 Acres of grounds. All main services.

Price £70,000. Leasehold.

Joint Agents: Taylor & Testler, Tel. East Grinstead 24478 or John D. Wood, Berkeley Square Office, (Ref. PEW).

ARGYLL—ISLAND OF GIGALUM, ISLE OF GIGHA

THE ENTIRE ISLAND OF ABOUT 30 ACRES TOGETHER WITH A SINGLE STOREY HOUSE BUILT IN 1976.

3 double bedrooms, each with its own bathroom. Well equipped kitchen, large sitting room, facing north, south, east and west.

Freehold for sale.

All further information from Sole Agents, John D. Wood, 56 George Street, Edinburgh, Tel. (031) 225 7178 or John D. Wood, Berkeley Square Office, (Ref. PEW).

23 Berkeley Square, London W1X 6AL

Telephone 01-629 9050 Telex 21242

Residential Property by Baron Phillips

Strength of market recovery surprises agents



This converted coach house once formed part of the Lord Lonsdale's estate at Barleythorpe in Leicestershire. It is now on the market through Strutt & Parker for about £125,000.

signed lighting and the roof terrace which allow magnificent views of the river and surrounding countryside.

Accommodation consists of a splendid 120 ft long entrance hall and corridor with a copper abstract designed by the sculptor Mr Peter Lyon. This leads on to a substantial drawing room on two levels and a dining room. There are also five bedrooms, four with bathroom en suite, a tropical house and two-bedroom staff flat and two double garages.

If this is not enough, the property is set in almost 11 acres of gardens and grounds which include a sunken heather garden and a 1/4 acre lake.

There are facilities for keeping a boat as it has a pier and slipway with a cradle and electric winch. The agents are seeking offers in the region of £500,000.

Locating that country or town property, even when you are a difficult, daunting and time consuming task. To make life a little easier, Savills, the Mount Street estate agents, has produced its third property supplement for the summer. The magazine is a selection of Savills' properties which are on the market. The total value of the property in the supplement is £22.5m, with houses and flats

as the staircase and fire surrounds. The accommodation consists of six bedrooms, three bathrooms and two reception rooms for which Strutt & Parker, the agents, are asking £125,000.

In Somerset, Humberts are selling a delightful Queen Anne listed Hale House at Cuckington, a charming village in the heart of the countryside which has an eleventh-century church as its centrepiece. The agents are asking around £32,500 for this compact modernised period house set in about an acre of grounds. It has five bedrooms and two main reception rooms.

The same agents are offering the Quarry Garden, a nineteenth-century four-bedroom house at Wadour, near Tisbury in Wiltshire. The house takes its name because much of the stone used to build the nearby Wadour Castle came from its grounds. Quarry Garden faces south overlooking the Nadder Valley and stands in grounds of about 1 1/2 acres. Humberts are looking for offers in the region of £75,000.

While the prices of country cottages are beginning to take off, in spite of the extensive modernisation necessary, excellent value can be found in an interesting refurbishment being undertaken by the Church Commissioners in Sussex Gardens in London. Acting for the Commissioners, Chestertons are supervising the redevelopment of a terrace of properties which form the north-west boundary to the Hyde Park Estate.

The refurbished houses are being turned into modernized flats of which the first tranche consist of 10 apartments ranging from two room basement properties to three bedroom, two bathroom units. Already one or two of the cheaper flats are under offer with prices in the £37,500 to £89,500 range.

Every flat is being completely overhauled and their location should ensure a quick sale. It is unusual to find a selection of apartments so close to Marble Arch and Hyde Park so reasonably priced. When the modernization scheme has been completed there will be about 30 flats available on long leases.

Humberts

Near Bath 16 Acres

Bath 6 miles, Bristol 18 miles, M4 18 miles.



An impressively modernised pre-war country house with gardener's cottage, set on high ground facing south, suitable for institutional use subject to planning permission.

3 reception rooms, 14 bedrooms, 4 bathrooms, cloakroom, oil central heating, kitchen/breakfast room, staff accommodation. Garaging for 5 cars. Heated swimming pool. Tennis court. Stabling for 2 horses. Outbuildings, cottage, garden and grounds with an arboretum, ornamental garden, woodland, 2 paddocks. £160,000 Freehold with about 16 acres.

Details: 10 St. Mary Street, Chippenham, Tel. (0249) 55661.

(10/56407/DMLB)

Lancashire 20 Acres

Morpeth 2 miles, Lancaster 5 miles, M6 5 miles.

A major Leisure Park in an established holiday location adjoining sandy beaches.

76 self-catering villas and flats, bars, restaurant, indoor sports hall, administrative block, swimming pool, gardens, international Go-Kart Circuit (1st).

In all about 20 acres. For sale by Tender—41 year leasehold at £1 p.a.

Details: Humberts Landplan, Leisure Consultancy Division, London Office, Tel. 01-242 3121.

(01/24802/RAHS)

Wiltshire 3 Acres

Bath 15 miles.

A 19th century former vicarage in this attractive village nestled beneath the Downs, with stabling, paddock and delightful garden.

3 reception rooms, 6 bedrooms, 2 bathrooms, cloakroom, oil central heating. Kitchen/breakfast room, staff accommodation. Garaging for 2 cars, former tennis lawn, stabling for 1 horse, outbuildings.

£105,000 Freehold with about 3 acres.

Details: 10 St. Mary Street, Chippenham, Tel. (0249) 55661.

(10/62130/DMLB)

Essex/Hertfordshire Borders 3 Acres

Clavering-Bishop's Stortford 8 miles.

A very attractive detached thatched residence, reputed to date back to the 16th century, standing in a fine rural setting.

Entrance hall, 3 reception rooms, kitchen, utility room, cloakroom, 4 bedrooms, 2 bathrooms.

Central heating. Outbuildings, including garages, workshop, stabling, formal gardens and paddock.

In all about 3 acres. £120,000.

Joint Agents: Swindon, Bishop's Stortford, Tel. (0279) 52441 and Humberts, 4 Romeland Hill, St Albans, Tel. (0727) 51739.

(05/2994/3FMH)

Wiltshire 2 Acres

New Salisbury (Paddington 50 mins.) M4 5 miles.

A detached 19th century farmhouse requiring modernisation.

2 reception rooms, 5 bedrooms. Outbuildings. To be sold in 2 lots by Public Auction on 3rd July, unless previously sold.

Details: 10 St. Mary Street, Chippenham, Tel. (0249) 55661.

(10/62133)

6 Lincoln's Inn Fields

London, WC2A 3DB. 01-242 3121

Lane Fox and Partners

HAMPSHIRE—Near ODIHAM

Odiham 5 miles, Basingstoke 7 miles, Alton 9 miles.

A CHARMING SMALL COUNTRY HOUSE standing in immediate gardens in this popular rural village. Hall, 3 reception rooms, kitchen, 3/4 bedrooms, 3 bathrooms, oil heating. Superb Gardens and Greenhouses. Double Garage. About 3 acres.

FOR SALE BY PRIVATE TREATY

Lane Fox & Partners, London Office.

HAMPSHIRE—Near HARTLEY WINCHEY, Winchester 4 miles, M3 Motorway 5 miles, Reading 10 miles, Basingstoke 12 miles, London 40 miles. A MOST ATTRACTIVE AND COMFORTABLE FAMILY HOUSE. 3 Reception Rooms, Kitchen, Utility Room, 5 Bedrooms, 2 Bathrooms, Oil Heating, Double Garage, Delightful Garden, Hard Tennis Court, Paddock. About 3.8 acres. For Sale by Private Treaty. Lane Fox & Partners, London Office.

WILTSHIRE—Near MALMESBURY, M4 Motorway 5 miles, Swindon 13 miles, Cirencester 7 miles. A DELIGHTFUL PERIOD COTTAGE with scope for further improvement. Large central hall, 2 reception rooms, 2 bedrooms, 2 bathrooms, oil heating. Double Garage, Delightful Garden, Hard Tennis Court, Paddock. About 3.8 acres. For Sale by Private Treaty. Lane Fox & Partners, Malmesbury Office. Tel: 066 62 3007/8.

London Office: 36 North Andley Street, London, W.1. Tel: 01-499 4785

John German Ralph Pay

SURREY COBHAM

Cobham and Stoke 2 Aberron station 11 miles, Esher station 51 miles, Waterloo 22 minutes, A3 11 miles.

A FINE EARLY GEORGIAN LISTED HOUSE WITH SEPARATE FLAT, BEAUTIFUL WALLED GARDEN AND A SUPERB VIEW.

SOON TO BENEFIT FROM THE NEW M25.

3 reception rooms, utility room, 8 bedrooms, 2 bathrooms, w.c., gas central heating. Gardens, garaging, workshop, self-contained 3 room flat, gas central heating.

London Office: 01-499 8871

127 MOUNT STREET LONDON W1Y 6RL 01-499 9671 TELEX 287295

PETTS-WOOD

Charming family house in

Charming family house in

Charming family house in

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